

**City Of Santee
Adjourned Regular Meeting Agenda**

**Santee City Council
Community Development Commission
Santee Public Financing Authority**

**Council / Commission / Authority Chamber
10601 Magnolia Avenue
Santee, CA 92071**

November 14, 2007

(Call meeting to order as City Council/Community Development Commission/Public Financing Authority)

5:00 PM Study Session

- (A) Status Report on the Multiple Species Conservation Program (MSCP) – City of Santee Subarea Plan and the Fanita Open Space System.**

Recommendation: Receive report.

7:00 PM Meeting

ROLL CALL: Mayor Randy Voepel
Vice Mayor John Minto
Council Members Jack Dale, Brian Jones and Hal Ryan

INVOCATION: Pastor Phil Herrington, Pathways Community Church

PLEDGE OF ALLEGIANCE:

PRESENTATION: JACK E. DALE CUP: VARSITY FOOTBALL GAME BETWEEN SANTANA AND WEST HILLS HIGH SCHOOLS

ITEMS TO BE ADDED, DELETED OR RE-ORDERED ON AGENDA:**1. CONSENT CALENDAR:**

Consent Calendar items are considered routine and will be approved by one motion, with no separate discussion prior to voting. Council Members, staff or public may request specific items be removed from the Consent Calendar for separate discussion or action. Speaker slips for this category must be presented to the City Clerk before the meeting is called to order. Speakers are limited to 3 minutes.

- (A) Approval of Reading by Title Only and Waiver of Reading in Full of Ordinances on Agenda.**
- (B) Approval of Meeting Minutes:**
 - Santee City Council 10-10-07, 10-24-07 & 11-7-07 Meetings**
 - Community Development Commission 10-10-07, 10-24-07 & 11-7-07 Meetings**
 - Santee Public Financing Authority 10-10-07, 10-24-07 & 11-7-07 Meetings**
- (C) Approval of Payment of Demands as Presented.**
- (D) Approval of the Expenditure of \$67,344.36 to Pay for September 2007 Legal Services and Related Costs.**
- (E) Approval of the Expenditure of \$122,999.57 to Pay for August and September 2007 Legal Services and Related Costs for Mobile Home Rent Control Ordinance Litigation.**
- (F) Approval of the Expenditure of \$104,347.24 to Pay for October 2007 Legal Services and Related Costs.**
- (G) Adoption of Resolution Approving the Final Map for Unit 2 of Tentative Map 2004-08 (Sky Ranch Subdivision). Location: Rattlesnake Mountain Planned Development Area.**
- (H) Adoption of Resolution Approving the Final Map for Unit 3 of Tentative Map 2004-08 (Sky Ranch Subdivision). Location: Rattlesnake Mountain Planned Development Area.**
- (I) Authorization for the City Manager to Appropriate Citizens' Option for Public Safety Program (COPS) Funds and Approve the Use of These Funds to Pay a Portion of the Cost of One Community Oriented Policing Deputy.**
- (J) Adoption of Resolution Approving the Final Map for Tentative Map 2005-07 (Sunridge). Location: 8729 Graves Avenue.**

- (K) Adoption of a Resolution Confirming the City Manager/Director of Emergency Services' Proclamation of Existence of a Local Emergency.
- (L) Authorization to Appropriate \$110,000 in Redevelopment Funds for the Cuyamaca Street Traffic Signal Controller Upgrade Project and Authorize the City Manager to Execute the Design Contract.
- (M) Approval of Change Order to the Traffic Signal and Communication Systems Maintenance Contract with Republic ITS, Inc. in the Amount of \$12,000.
- (N) Adoption of Resolution Supporting the City's Application for a Safe Route to School (SR2S) Grant for the Construction of Missing Sidewalks in the Atlas View Drive Neighborhood.
- (O) Approval to Increase the Consultant Design Contract for Town Center Community Park, Phase 2 (CIP 2006-33) with Psomas in an Amount Not to Exceed \$160,000 for Design and Construction Document Revisions and Authorize the City Manager to Execute a Contract Change Order.
- (P) Adoption of Resolution Accepting the Improvements for the Fire Station No. 4 HVAC Upgrade (CIP 2006-43) and Authorize a Reduction in Project Retention to Five (5%) percent.
- (Q) Authorization for the City Manager to Approve a Change Order to Hardy and Harper, Inc. to Perform Additional Asphalt Patching and Paving in an Amount Not to Exceed \$151,000.
- (R) Authorization for the City Manager to Execute a Grant Deed for the Sale of Excess Right-Of-Way Property at Big Rock Road and Mission Gorge Road.
- (S) Approval of \$33,500 in Reimbursable 2007 State Homeland Security Grant Funds for Homeland Security Training and Equipment.
- (T) Authorization to Purchase New Hamworthy Compressor, Components, and Installation from California Health & Safety Inc. for an Amount Not to Exceed \$16,303.16.
- (U) Adoption of Three Resolutions Initiating Proceedings and Ordering the Engineer's Report, and Declaring the City Council's Intention to Levy Assessments and Setting a Public Hearing Date for Annexation of the Sky Ranch Subdivision to the Santee Landscape Maintenance District.

2. PUBLIC HEARINGS:

- (A) Public Hearing on an Ordinance Amending Chapter 12.04 of the Santee Municipal Code Relating to Encroachments Within the Public Right-of-Way.**

Recommendation:

1. Open the Public Hearing and Continue the Public Hearing to February 27, 2008.

- (B) Public Hearing for the Establishment of a Mello-Roos Community Facilities District (CFD) for the Sky Ranch Development Including: 1) A Resolution Approving the Form of a Joint Community Facilities Agreement with Padre Dam Municipal Water District; 2) A Resolution Forming and Establishing CFD No. 2007-1; 3) A Resolution Determining the Necessity to Incur a Bonded Indebtedness of CFD No. 2007-1 in a Maximum Amount of \$16 Million and Submitting Ballot Propositions to the Qualified Electors of Such District; 4) A Resolution Declaring the Results of a Special Election of CFD No. 2007-1; 5) A Resolution Approving the Form of an Acquisition, Construction and Funding Agreement; and 6) Approval of an Ordinance Authorizing the Levy of Special Taxes in CFD No. 2007-1.**

Recommendation: Refer to Staff Report.

3. ORDINANCES (First Reading):

See Public Hearing Items 2A & 2B

- 4. CITY COUNCIL REPORTS: None**

- 5. CONTINUED BUSINESS: None**

- 6. NEW BUSINESS: None**

7. COMMUNICATION FROM THE PUBLIC:

Each person wishing to address the City Council regarding items not on the posted agenda may do so at this time. In accordance with State law, Council may not take action on an item not scheduled on the Agenda. If appropriate, the item will be referred to the City Manager or placed on a future agenda.

8. CITY MANAGER REPORTS:

9. COMMUNITY DEVELOPMENT COMMISSION:

(Note: Minutes appear as Item 1B)

(A) Commercial Property Rehabilitation Program.

Recommendation: Authorize staff to solicit input from the business community regarding the proposed Commercial property Rehabilitation Program.

10. SANTEE PUBLIC FINANCING AUTHORITY:

(Note: Minutes appear as Item 1B)

11. CITY ATTORNEY REPORTS:

12. CLOSED SESSION: None

13. ADJOURNMENT:



| | | | |
|-----|----|---|----------------------|
| Nov | 14 | City Council/CDC/SPFA Meeting | Chamber |
| Nov | 15 | Santee Human Relations Advisory Board | Chamber Conf Rm |
| Nov | 26 | Santee Community Oriented Policing Committee | Chamber Conf. Rm. |
| Dec | 03 | City Charter Advisory Committee | Chamber Conf. Rm. |
| Dec | 06 | Santee Park and Recreation Committee | Building 6 Conf. Rm. |
| Dec | 12 | City Council/CDC/SPFA Meeting | Chamber |
| Dec | 13 | Santee Manufactured Home Fair Practice Commission | Chamber |

The Santee City Council welcomes you and encourages your continued interest and involvement in the City's decision-making process.

For your convenience, a complete Agenda Packet is available for public review at the Santee Library, City Hall and on the City's website at www.ci.santee.ca.us.

The City of Santee complies with the Americans with Disabilities Act. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the American with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the City Clerk's Office at (619) 258-4100, ext. 112 at least 48 hours before the meeting, if possible.

State of California }
 County of San Diego } ss.
 City of Santee }

AFFIDAVIT OF POSTING AGENDA

I, Linda A. Troyan, MMC, City Clerk of the City of Santee, hereby declare, under penalty of perjury, that a copy of this Agenda was posted in accordance with Resolution 61-2003 on November 9, 2007 at 4:30 p.m.

 Signature

11/9/07
 Date

MEETING DATE

November 14, 2007

AGENDA ITEM NO. Study Session**ITEM TITLE** STATUS REPORT ON THE MULTIPLE SPECIES CONSERVATION PROGRAM (MSCP) – CITY OF SANTEE SUBAREA PLAN AND THE FANITA OPEN SPACE SYSTEM**DIRECTOR/DEPARTMENT**

Gary Halbert, Development Services

SUMMARY The intent of the City's Subarea Plan is to balance economic development and the preservation of sensitive plant and animal species at levels sufficient to receive State and Federal approval for the impacts that may result from future public and private development in the City. The Santee Subarea Plan will permit development to occur, but it will also require land to be set aside and managed for permanent open space. The Subarea Plan comprehensively addresses how the City will conserve sensitive plant and animal species as required by the California Natural Community Conservation Planning (NCCP) Act of 1991, and the California and U.S. Endangered Species Acts.

The adoption of the Plan by the City will simplify the procedures by which landowners obtain Federal and State authorizations for takings of certain listed rare, threatened, or endangered species, while at the same time, meeting the MSCP Subregional goal of protecting sufficient land to preserve these species within the region. The Santee Subarea Plan analyzes 48 species that would be "covered" under the Plan. These 48 species occur in Santee, or have the potential to occur because the habitat exists.

The City has been working with the U.S. Department of Fish & Wildlife Services and the California Department of Fish & Game (collectively referred to as the Wildlife Agencies) to finalize the joint Environmental Impact Report/Environmental Impact Assessment (EIR/EIS) and the Subarea Plan. These documents, once certified and adopted, will become the Wildlife Agencies' basis for the transfer of the permit authorization to the City. An Implementing Agreement signed by the City and the Wildlife Agencies will provide the assurances necessary for Plan implementation. The adopted Plan will streamline the development process and provide certainty to developers as to what the requirements will be for the removal of habitat and impacts to species included in the Santee Plan.

A presentation at the November 14 Council meeting will provide an overview of the Subarea Plan and the relationship between the Subarea Plan preserve lands and the open space lands proposed by the Fanita development for Preserve and recreation.

FINANCIAL STATEMENT Department's budget.

RECOMMENDATION Receive report

ATTACHMENTS (Listed Below)
None

MEETING DATE**NOVEMBER 14, 2007****AGENDA ITEM NO. PRES****ITEM TITLE****JACK E. DALE CUP PRESENTATION:
VARSITY FOOTBALL GAME BETWEEN SANTANA AND WEST HILLS
HIGH SCHOOLS****DIRECTOR/DEPARTMENT**

Randy Voepel, Mayor

SUMMARY

Begun in 1990, the Jack E. Dale Cup reflects Council's acknowledgement of our outstanding high schools and promotes the friendly competition between their varsity football teams.

The Jack E. Dale Cup has been designed as a perpetual trophy. Past presentations have been made to:

| | | | |
|-----------------|-----------------|-----------------|-----------------|
| 1990 West Hills | 1995 West Hills | 2000 West Hills | 2005 West Hills |
| 1991 Santana | 1996 West Hills | 2001 West Hills | 2006 West Hills |
| 1992 Santana | 1997 West Hills | 2002 Santana | |
| 1993 Santana | 1998 West Hills | 2003 West Hills | |
| 1994 West Hills | 1999 Santana | 2004 West Hills | |

This year's game was held at West Hills High School on Friday, October 12, 2007. This year's winner was West Hills High School.

In addition to signifying the City's support of both schools and their student bodies, it is hoped that this presentation will reinforce positive values such as teamwork, community spirit, and striving for excellence.

FINANCIAL STATEMENT

N/A

RECOMMENDATION

N/A

ATTACHMENTS (Listed Below)

N/A

MEETING DATE: November 14, 2007

AGENDA ITEM NO. 1B

ITEM TITLE APPROVAL OF MEETING MINUTES: SANTEE CITY COUNCIL, COMMUNITY DEVELOPMENT COMMISSION AND SANTEE PUBLIC FINANCING AUTHORITY REGULAR MEETINGS OF OCTOBER 10, 2007 AND OCTOBER 24, 2007 AND ADJOURNED REGULAR MEETINGS OF NOVEMBER 7, 2007.

DIRECTOR/DEPARTMENT Linda A. Troyan, MMC, City Clerk

SUMMARY

Submitted for your consideration and approval are the minutes of the above meetings.

FINANCIAL STATEMENT N/A

RECOMMENDATION

Approve Minutes

ATTACHMENTS (Listed Below)

Minutes

Minutes

**Santee City Council
Community Development Commission
Santee Public Financing Authority**

Draft

**Council Chambers
10601 Magnolia Avenue
Santee, California**

October 10, 2007

This Regular Meeting of the Santee City Council, Community Development Commission and the Santee Public Financing Authority was called to order by Mayor/Chairperson/Chair Randy Voepel at 7:02 p.m.

Council Members present were: Mayor/Chairperson/Chair Randy Voepel, Vice Mayor/Vice Chairperson/Vice Chair John W. Minto and Council/Commission/Authority Members Jack E. Dale, Brian W. Jones and Hal Ryan.

Staff present were: City Manager/Executive Director/Secretary Keith Till, City/Commission/Authority Attorney Shawn Hagerty, Deputy City Manager/ Director of Development Services Gary Halbert, Director of Fire and Life Safety Mike Rottenberg, Director of Community Services John Coates, Director of Human Resources Jodene Dunphy, Assistant to the City Manager Kathy Valverde, Assistant to the Executive Director Pam White, City Engineer Steve Cresswell, City Planner Melanie Kush, Santee Sheriff's Captain Patricia Duke, City Clerk/Commission Secretary Linda Troyan, and Deputy City Clerk/Deputy Commission Secretary Patsy Bell.

(Note: Hereinafter the titles Mayor, Vice Mayor, Council Member, City Manager, City Attorney, City Clerk and Deputy City Clerk shall be used to indicate Mayor/Chairperson/Chair, Vice Mayor/Vice Chairperson/Vice Chair, Council/Commission/Authority Member, City Manager/Executive Director/Secretary, City/Commission/Authority Attorney, City Clerk/Commission Secretary, Deputy City Clerk/ Deputy Commission Secretary.)

INVOCATION: Reverend Kathleen Green, Summit Unitarian Universalist Fellowship

PLEDGE OF ALLEGIANCE AND FLAG SALUTE: Cub Scout Patrol 10 Pack 383

CERTIFICATES OF COMMENDATION: CUB SCOUT PATROL 10 PACK 383

Mayor Voepel introduced Den Patrol Leader Travis McMahand and Assistant Patrol Leader/Pack Cub Master Leo Faubion. Certificates of Commendation were presented to Austin McMahand, Blake Evans, Connor Troxel, Jared Faubion, Ryan Kaszycki and Tyler Lamb.

Mayor Voepel recognized Padre Dam's Director of Parks and Recreation Allen Carlisle, Padre Dam Municipal Water District Board of Director Augie Scalzitti, and former Padre Dam General Manager Augie Caires.

ITEMS TO BE ADDED, DELETED OR RE-ORDERED ON AGENDA: None

Vice Mayor Minto noted an abstention for Item 1(B) – Minutes of September 26, 2007 as he was absent from that meeting. Council Member Jones stated a no vote for Item 1(D). Council Member Ryan registered an abstention on Item 1(E) due to a conflict of interest.

1. CONSENT CALENDAR:

- (A) Approval of Reading by Title Only and Waiver of Reading in Full of Ordinances on Agenda.
- (B) Approval of Meeting Minutes: (Minto abstained on 9/26/07 Minutes)
Santee City Council 09-12-07 & 09-26-07 Regular Meetings
Community Development Commission 09-12-07 & 09-26-07 Regular Mtgs
Santee Public Financing Authority 09-12-07 & 09-26-07 Regular Meetings
- (C) Approval of Payment of Demands as Presented.
- (D) Second Reading and Adoption of an Ordinance of the City of Santee Requiring the Registration of Abandoned Residential Properties. (ORD 472 - Jones voted no)
- (E) Second Reading and Adoption of an Ordinance of the City of Santee Amending Chapter 12.24 of the Santee Municipal Code Relating to Tree Regulations to Designate the Coast Live Oak Trees on County Property (Edgemoor) as “Protected Trees.” (ORD 473 – Ryan abstained)
- (F) Rejection of two Claims Against the City Filed by Miguel Miranda and Justine Smith.
- (G) Adoption of a Resolution Approving Operational Acceptance of Improvements to Prospect Avenue, Atlas View, Via Zapador and Olive Lane for the Forester Creek Project, CIP 2002-21. (Reso 78-2007)

ACTION: On motion of Vice Mayor Minto, seconded by Council Member Jones, the Agenda and Consent Calendar were approved as presented with all voting aye except Vice Mayor Minto who abstained on the September 26th Minutes, Council Member Jones who voted no on Item 1(D) and Council Member Ryan who abstained on Item 1(E).

2. PUBLIC HEARINGS:

- (A) Continued Public Hearing for Tentative Parcel Map (TPM07-02) and Development Review Permit (DR07-04) for a Four Lot Residential Subdivision of a 3.78 Acre Property and the Construction of Three Single Family Residences at 8504 Atlas View Drive in the R2 Low-Medium Density Residential Zone. Applicants: Mark and Laurie Miller (Cont from 9/26/07) (Resos: 79-2007 – DR & 80-2007 – TPM)

The Public Hearing opened at 7:12 p.m. Deputy City Manager/Director of Development Services

Halbert introduced the item. City Engineer Cresswell presented the staff report utilizing PowerPoint focusing on the questions Council had from the last meeting and provided a copy of Mr. & Mrs. Miller's application for a Tentative Map and Development Review Permit.

Public Speakers: Mark Miller, applicant, provided current photos of the site and reaffirmed his request for a waiver of the undergrounding and street widening conditions. Lisa Miller Carnation submitted a slip in support but did not speak.

During discussion, there was talk about Council changing the undergrounding policy to make it equitable for all citizens (charging fees to all properties, not just to those properties containing utility lines) and in what situations, if any, could fees be waived.

MOTION #1: It was moved by Council Member Jones and seconded by Council Member Dale to approve staff recommendation.

MOTION #2: Council Member Jones made a second motion to have staff review the Undergrounding Ordinance and bring back recommendations for Council's consideration.

When asked, City Attorney Hagerty verified that if the item were approved tonight and Council later took action changing the Ordinance requirements that the applicant could reapply and bring his project back before Council for review/approval under the new guidelines.

MOTION #1 /ACTION: The motion made by Council Member Jones and seconded by Council Member Dale to close the Public Hearing at 8:15 p.m.; approve the Mitigated Negative Declaration as complete and in compliance with the provisions of the California Environmental Quality Act; and adopt the two Resolutions approving Development Review Permit DR07-04 and Tentative Map TPM07-02 was approved with all voting aye, except Council Member Dale who voted no.

MOTION #2 / FAILED MOTION: Council Member Dale seconded Council Member Jones' motion to have staff review the undergrounding Ordinance and bring back recommendations for Council's consideration within 6 months. The motion failed with Council Members Dale and Jones voting aye, and Mayor Voepel, Vice Mayor Minto and Council Member Ryan voting no.

(B) Public Hearing for a Major Revision (#5) to the Santee Lakes Regional Park Conditional Use Permit (P80-83) to Provide Additional Recreation and Open Space Uses, Including RV Storage, Cabins, Island Recreation Facilities, Ballfields, a Clubhouse Expansion, and Restoration of Island Vegetation in the Park Open Space Zone. Applicant: Padre Dam Municipal Water District (Reso 81-2007)

The Public Hearing opened at 8:19 p.m. Deputy City Manager/Director of Development Services Halbert introduced Associate Planner Rick Brady who presented the staff report utilizing PowerPoint.

Entered into the Record: Replacement Map Sheet A9.

Public Speakers:

In Opposition: Guadalupe Gillenberg asked for reassurance that Padre Dam's proposed cable

ski park is not included in the proposed project. Sandra Schielke submitted a speaker slip in opposition but was not available to speak.

In Support: Allen Carlisle, Padre Dam Director of Parks and Recreation

ACTION: After discussion, it was moved by Vice Mayor Minto and seconded by Mayor Voepel to close the Public Hearing at 9:10 p.m.; approve the Mitigated Negative declaration as complete and in compliance with the provisions of the California Environmental Quality Act; and to adopt the Resolution approving Conditional Use Permit P80-83 as amended to upgrade and enlarge some of the cabins and bring the nursery back for Council review in 5 years. The motion carried with all voting aye.

NOTE: *Discussion for this item was reopened after the break following Item 2(C). Please see that section for additional information regarding action taken for Item 2(B).*

Mayor Voepel recognized and introduced Jim Pankin who represents Santee on the Community Leaders Forum MCAS Miramar committee.

(C) Public Hearing for Tentative Parcel Map (TPM06-04) to Subdivide Four Residential Lots and Development Review Permit (DR06-20) to Construct Four Single Family Dwelling Units on a 1.39 Acre Site Located at 11569 Woodside Avenue in the R2 Low Medium Density Residential Zone. Applicant: Richard Ing (Resos: DR- 82-2007 & TPM 83-2007)

Council Member Ryan announced he would abstain on this item due to conflict of interest.

The Public Hearing opened at 9:11 p.m. Deputy City Manager/Director of Development Services Halbert introduced Associate Planner Josh McMurray who presented the staff report utilizing PowerPoint.

Public Speaker: Richard Grabhorn, representing the applicant, was available for questions.

ACTION: On motion of Vice Mayor Minto, seconded by Council Member Jones, the Public Hearing was closed at 9:14 p.m.; the Mitigated Negative Declaration was approved as complete and in compliance with the provisions of the California Environmental Quality Act; and two Resolutions approving Development Review Permit DR06-20 and Tentative Map TPM06-04 were adopted with all voting aye except Council Member Ryan who abstained.

Mayor Voepel called for a short recess at 9:14 p.m. Council Members reconvened in Open Session at 9:27 p.m. with all Members present.

Reconsideration for Item 2(B):

- (B) Public Hearing for a Major Revision (#5) to the Santee Lakes Regional Park Conditional Use Permit (P80-83) to Provide Additional Recreation and Open Space Uses, Including RV Storage, Cabins, Island Recreation Facilities, Ballfields, a Clubhouse Expansion, and Restoration of Island Vegetation in the Park Open Space Zone. Applicant: Padre Dam Municipal Water District (Reso 81-2007)**

ACTION: It was moved by Council Member Dale to reconsider Item 2(B). The motion, seconded by Council Member Jones, was approved with all voting aye.

During discussion, Santee Lakes Director of Parks and Recreation Allen Carlisle was asked by Council if it would be possible to offer Santee residents 1st priority for the newly created RV parking spots. Mr. Carlisle responded that it would be possible.

ACTION: On motion of Council Member Dale, seconded by Council Member Jones, the Mitigated Negative declaration was approved as complete and in compliance with the provisions of the California Environmental Quality Act; and the Resolution approving Conditional Use Permit P80-83 as amended to upgrade and enlarge some of the cabins, bring the nursery back for Council review in 5 years and give priority to Santee residents for the new RV parking spots, was approved with all voting aye.

3. ORDINANCES (First Reading): None

4. CITY COUNCIL REPORTS: None

5. CONTINUED BUSINESS:

- (A) Approval of Two Resolutions to Initiate Proceedings to Consider the Potential Establishment of a Mello-Roos Community Facilities District (CFD) for the Sky Ranch Development. (Reso of Intention 84-2007 & Reso of Necessity 85-2007)**

City Manager Till introduced the item. Attorney Warren Diven from Best Best & Krieger LLP presented the staff report utilizing PowerPoint and answered Council's questions. He introduced David Brodsky, Managing Director of KNN Public Finance and Leni Zarate, Special Tax Consultant with Psomas who provided additional information to Council. Council Member Ryan asked to receive a copy of the market price-line study.

MOTION: After lengthy discussion it was moved by Council Member Jones to approve staff recommendation to:

1. Adopt the Resolution of Intention setting the proposed CFD boundaries, establishing the facilities that can be financed, approving the proposed Rate and Method of Apportionment of the Special Tax, which establishes the tax formula and the maximum allowable tax, and calling for an election of the property owner to approve the special tax;
2. Authorize the Special Tax Consultant to record the CFD map with the County Recorder;
3. Adopt the Resolution of Necessity to Incur Bonded Indebtedness, which establishes the maximum bond authorization for the CFD and schedules the public hearing that is required for issuing Mello-Roos bonds; and

4. Set a Public Hearing for Wednesday, November 14 at 7:00 PM to consider the establishment of the CFD, the proposed Rate & Method of Apportionment of the Special Tax and the intention of the Council to incur bonded indebtedness to finance the facilities. The motion was seconded by Vice Mayor Minto.

Public Speaker: At Council's request, Michael L. Levesque, President of Lennar's San Diego Division, answered questions and provided additional information.

FAILED AMENDMENT: Vice Mayor Minto requested an amendment to approve recommendation item numbers 1 through 3 and continue recommendation item number 4 to an Adjourned Regular Meeting on November 28, 2007. Council Member Jones did not accept the amendment.

ACTION: The motion made by Council Member Jones, seconded by Vice Mayor Minto, to approve the following:

1. Adopt the Resolution of Intention setting the proposed CFD boundaries, establishing the facilities that can be financed, approving the proposed Rate and Method of Apportionment of the Special Tax, which establishes the tax formula and the maximum allowable tax, and calling for an election of the property owner to approve the special tax;
 2. Authorize the Special Tax Consultant to record the CFD map with the County Recorder;
 3. Adopt the Resolution of Necessity to Incur Bonded Indebtedness, which establishes the maximum bond authorization for the CFD and schedules the public hearing that is required for issuing Mello-Roos bonds; and
 4. Set a Public Hearing for Wednesday, November 14 at 7:00 PM to consider the establishment of the CFD, the proposed Rate & Method of Apportionment of the Special Tax and the intention of the Council to incur bonded indebtedness to finance the facilities.
- was approved with all voting aye.

(B) Parks and Recreation Master Plan Update. (Continued from 7/11/07, 7/25/07 and 9/12/07.)

Director of Community Services Coates presented a brief staff report utilizing PowerPoint and answered Council's questions. Direction was given on some operational policy issues such as not implementing any additional park use fees, looking into endowments or establishing a park foundation, parks facilities planned for all ages to use, develop standards for maintenance, to name a few. Staff was asked to provide Council with an overview list of any additional specific areas that required Council's guidance.

6. NEW BUSINESS: None

7. COMMUNICATION FROM THE PUBLIC: None

8. CITY MANAGER REPORTS: None

9. COMMUNITY DEVELOPMENT COMMISSION:
(Note: Minutes appear as Item 1B)

10. SANTEE PUBLIC FINANCING AUTHORITY:
(Note: Minutes appear as Item 1B)

11. CITY ATTORNEY REPORTS: None

12. CLOSED SESSION: None

13. ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:56 p.m.

Date Approved: October 24, 2007

Linda Troyan, Commission Secretary
and for Authority Secretary Keith Till

Draft

Minutes

**Santee City Council
Community Development Commission
Santee Public Financing Authority**

**Council Chambers
10601 Magnolia Avenue
Santee, California**

October 24, 2007

Due to lack of a quorum, City Clerk Troyan announced at 7:05 p.m. that the Regular Meetings of the Santee City Council/Community Development Commission/Santee Public Financing Authority scheduled to be held on October 24, 2007, were adjourned to Wednesday, November 7, 2007 at 7:00 p.m., in the Council Chambers located at 10601 Magnolia Avenue.

Date Approved:

Linda Troyan, Commission Secretary
and for Authority Secretary Keith Till

Minutes

**Santee City Council
Community Development Commission
Santee Public Financing Authority**

Draft

**Council Chambers
10601 Magnolia Avenue
Santee, California**

November 7, 2007

Due to lack of a quorum, City Clerk Troyan announced at 7:05 p.m. that the Adjourned Regular Meetings of the Santee City Council/Community Development Commission/Santee Public Financing Authority scheduled to be held on November 7, 2007, were adjourned to Wednesday, November 14, 2007 at 5:00 p.m. in the Council Chambers located at 10601 Magnolia Avenue.

Date Approved:

Linda Troyan, Commission Secretary
and for Authority Secretary Keith Till

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1C**ITEM TITLE** PAYMENT OF DEMANDS**DIRECTOR/DEPARTMENT**

Tim K. McDermott/Finance

SUMMARY

A listing of checks that have been disbursed since the last Council meeting is submitted herewith for approval by the City Council.

FINANCIAL STATEMENT

Adequate budgeted funds are available for the payment of demands per the attached listing.

RECOMMENDATION

Approval of the payment of demands as presented.

ATTACHMENTS (Listed Below)

- 1) Payment of Demands-Summary of Checks Issued
- 2) Disbursement Journal

Payment of Demands
Summary of Checks Issued

| <u>Date</u> | <u>Description</u> | <u>Amount</u> |
|-------------|--------------------|------------------------|
| 10/03/07 | Accounts Payable | \$ 582,501.94 |
| 10/10/07 | Accounts Payable | 457,859.09 |
| 10/11/07 | Payroll | 445,449.12 |
| 10/17/07 | Accounts Payable | 235,013.60 |
| 10/25/07 | Accounts Payable | 238,556.36 |
| 10/25/07 | Payroll | 433,525.89 |
| 10/31/07 | Accounts Payable | 92,628.87 |
| 11/08/07 | Payroll | <u>485,133.60</u> |
| | TOTAL | <u>\$ 2,970,668.47</u> |

I hereby certify to the best of my knowledge and belief that the foregoing demands listing is correct, just, conforms to the approved budget, and funds are available to pay said demands.

Tim K. McDermott, Director of Finance

MEETING DATE November 14, 2007

AGENDA ITEM NO. 1D

ITEM TITLE APPROVAL OF THE EXPENDITURE OF \$67,344.36 TO PAY FOR SEPTEMBER 2007 LEGAL SERVICES AND RELATED COSTS

DIRECTOR/DEPARTMENT Tim K. McDermott, Director of Finance

SUMMARY

Legal service billings proposed for payment for the month of September 2007 total \$67,344.36 as follows:

- 1) General Retainer Services - \$13,355.97
- 2) Labor & Employment - \$490.15
- 3) Litigation & Claims - \$7,846.15 (includes \$4,484.70 in outside consultant services for the power plant matter)
- 4) Special Projects (General Fund) - \$10,849.97
- 5) Community Development Commission - \$9,516.12 (includes \$8,853.72 in outside consultant services for the Las Colinas expansion matter)
- 6) Community Development Commission – Housing (MHFP litigation) - \$1,123.70
- 7) Applicant Initiated Projects (paid from developer deposits) - \$24,162.30

FINANCIAL STATEMENT

Account Description: Legal Services

Account Number: Various accounts

| | <u>AMOUNT</u> | <u>BALANCE</u> |
|--------------------|---------------|----------------|
| General Fund: | | |
| Original Budget | \$465,000.00 | |
| Revised Budget | 465,000.00 | |
| Prior Expenditures | (96,001.04) | |
| Current Request | (32,542.24) | \$ 336,456.72 |

Special Services (excluding applicant initiated items):

| | | |
|--------------------|---------------|---------------|
| Original Budget | \$ 385,000.00 | |
| Revised Budget | 385,000.00 | |
| Prior Expenditures | (104,924.38) | |
| Current Request | (10,639.82) | \$ 269,435.80 |

RECOMMENDATION

Approve the expenditure of \$67,344.36 for September 2007 legal services and related costs.

ATTACHMENTS (Listed Below)

- 1) Legal Services Billing Summary

MEETING DATE November 14, 2007

AGENDA ITEM NO. 1E

ITEM TITLE APPROVAL OF THE EXPENDITURE OF \$122,999.57 TO PAY FOR AUGUST AND SEPTEMBER 2007 LEGAL SERVICES AND RELATED COSTS – MOBILE HOME RENT CONTROL ORDINANCE LITIGATION

DIRECTOR/DEPARTMENT Tim K. McDermott, Director of Finance
Shawn Hagerty, City Attorney

SUMMARY

Legal service billings proposed for payment for the months of August and September 2007 for mobile home rent control ordinance litigation, including trial preparation and trial work, total \$122,999.57. During these two months, the City's legal counsel had to prepare for trial in two separate lawsuits related to the City's mobile home rent control system. First, the City's legal counsel had to prepare and try the remand case. The remand case is the result of the City's successful appeal which upheld Ordinance 412 from a legal challenge by the owners of Meadowbrook. The Court of Appeal had sent the case back to the trial court (a process known as "remand") to determine whether the owners of Meadowbrook had suffered any damages as a result of the difference between the 1998 ordinance (381) and Ordinance 412 or from certain provision of Ordinance 412 that the Court of Appeal found to be unconstitutional. The remand case went to trial in September and a decision is anticipated within the next few months. A significant amount of legal work was necessary to prepare the case for trial and to try the case.

Second, during August and September, the City's legal counsel had to prepare for a separate trial in the El Cajon Court against the owners of Meadowbrook. This separate trial relates to certain penalties and rent increases imposed by the owners of Meadowbrook in 2004, during the City's appeal mentioned above but before the City's victory in the Court of Appeal. Right before the trial commenced, the court continued to case until January of 2008. However, the City had to fully prepare for the trial and that preparation involved a significant amount of legal work.

A breakdown of the amount proposed for payment is as follows.

- Attorney, paralegal and support staff (552 hours) - \$98,522.80
- Outside consultant and appraisal services - \$10,062.50
- Court transcripts and reporter costs - \$8,680.51
- Deposition, document reproduction and other costs - \$5,733.76

FINANCIAL STATEMENT

Funding for these expenditures is included in the FY 2007-08 Housing Set Aside Fund budget.

RECOMMENDATION

Approve the expenditure of \$122,999.57 for August and September 2007 legal services and related costs for mobile home rent control ordinance litigation.

ATTACHMENTS (Listed Below)

None

MEETING DATE November 14, 2007

AGENDA ITEM NO. 1F

ITEM TITLE APPROVAL OF THE EXPENDITURE OF \$104,347.24 TO PAY FOR OCTOBER 2007 LEGAL SERVICES AND RELATED COSTS

DIRECTOR/DEPARTMENT Tim K. McDermott, Director of Finance

SUMMARY

Legal service billings proposed for payment for the month of October 2007 total \$104,347.24 as follows:

- 1) General Retainer Services - \$13,231.56
- 2) Labor & Employment - \$736.00
- 3) Litigation & Claims - \$5,465.77
- 4) Special Projects (General Fund) - \$10,363.40
- 5) Community Development Commission – Housing (MHFP litigation) - \$29,310.21
- 6) Applicant Initiated Projects (paid from developer deposits) - \$45,240.30

FINANCIAL STATEMENT

Account Description: Legal Services

Account Number: Various accounts

| | <u>AMOUNT</u> | <u>BALANCE</u> |
|---|---------------|----------------|
| General Fund: | | |
| Original Budget | \$465,000.00 | |
| Revised Budget | 465,000.00 | |
| Prior Expenditures | (128,543.28) | |
| Current Request | (29,796.73) | \$ 306,659.99 |
| Special Services (excluding applicant initiated items): | | |
| Original Budget | \$ 385,000.00 | |
| Revised Budget | 385,000.00 | |
| Prior Expenditures | (238,563.77) | |
| Current Request | (29,310.21) | \$ 117,126.02 |

RECOMMENDATION

Approve the expenditure of \$104,347.24 for October 2007 legal services and related costs.

ATTACHMENTS (Listed Below)

- 1) Legal Services Billing Summary

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1G**ITEM TITLE**

RESOLUTION APPROVING THE FINAL MAP FOR UNIT 2 OF
TENTATIVE MAP 2004-08 (SKY RANCH SUBDIVISION) LOCATION:
RATTLESNAKE MOUNTAIN PLANNED DEVELOPMENT AREA

DIRECTOR/DEPARTMENT

Gary Halbert, Development Services

SUMMARY

This item requests City Council approve the Final Map for Unit 2 for the Sky Ranch Subdivision, a development of 371 residential units within the Rattlesnake Mountain Planned Development Area and the associated Subdivision Improvement Agreement.

On June 8, 2005, City Council approved the application for 223 single-family units and 148 multifamily units for a total of 371 residential units located within the Rattlesnake Mountain Planned Development Area. Unit 2 of the Sky Ranch Subdivision includes 123 Single Family Units. Dedications, plan approvals, agreements, and securities required by the resolution of approval for Unit 2 have been met.

The final map for Unit 2 has been found to be technically correct and in substantial conformance with the Tentative Map, the requirements of resolution of approval (Resolution No. 038-2005), the Santee Municipal Code, and the Subdivision Map Act.

ENVIRONMENTAL REVIEW

Environmental review was conducted with the Tentative Map approval.

FINANCIAL STATEMENT

The City Fee Schedule allows for full cost recovery of staff time from fees paid by the developer.

RECOMMENDATION

Adopt the attached Resolution approving the Final Map.

ATTACHMENTS (Listed Below)

Resolution
Vicinity Map

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE
APPROVING THE FINAL MAP FOR UNIT 2 FOR TENTATIVE MAP 2004-08
(SKY RANCH SUBDIVISION)
LOCATION: RATTLESNAKE MOUNTAIN PLANNED DEVELOPMENT AREA**

WHEREAS, on June 8, 2005, City Council approved Resolution No. 038-2005 for the approval of the Sky Ranch Vesting Tentative Map 2004-08 to allow development of 371 residential units located within the Rattlesnake Mountain Planned Development Area; and

WHEREAS, the developer Lennar Homes has complied with all provisions of the Tentative Map approval required for recordation of the Final Map for Unit 2; and

WHEREAS, under the direction of the City Engineer the Final Map for Unit 2 has been examined and found to be technically correct, in compliance with State law, applicable Municipal Code and in substantial conformance with the approved Tentative Map.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Santee does hereby approve the Final Map for Unit 2 of Tentative Map 2004-08.

BE IT FURTHER RESOLVED that the City Council does hereby authorize the City Manager to execute the Subdivision Improvement Agreement on their behalf and directs the City Clerk to certify approval of the Final Map for Unit 2 and the associated Subdivision Improvement Agreement and certify rejection or acceptance of all dedications and easements as indicated on the Final Map for Unit 2, and directs staff to submit the map to the County Recorder for recordation.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this _____ day of _____ 2007, by the following vote to wit:

AYES:

NOES:

ABSENT:

APPROVED:

RANDY VOEPEL, MAYOR _____

ATTEST:

LINDA A. TROYAN, MMC, CITY CLERK

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1H**ITEM TITLE**

RESOLUTION APPROVING THE FINAL MAP FOR UNIT 3 OF
TENTATIVE MAP 2004-08 (SKY RANCH SUBDIVISION) LOCATION:
RATTLESNAKE MOUNTAIN PLANNED DEVELOPMENT AREA

DIRECTOR/DEPARTMENT

Gary Halbert, Development Services

SUMMARY

This item requests City Council approve the Final Map for Unit 3 for the Sky Ranch Subdivision, a development of 371 residential units within the Rattlesnake Mountain Planned Development Area and the associated Subdivision Improvement Agreement.

On June 8, 2005, City Council approved the application for 223 single-family units and 148 multifamily units for a total of 371 residential units located within the Rattlesnake Mountain Planned Development Area. Unit 3 of the Sky Ranch Subdivision includes 91 Single Family Units. Dedications, plan approvals, agreements, and securities required by the resolution of approval for Unit III have been met.

The final map for Unit 3 has been found to be technically correct and in substantial conformance with the Tentative Map, the requirements of resolution of approval (Resolution No. 038-2005), the Santee Municipal Code, and the Subdivision Map Act.

ENVIRONMENTAL REVIEW

Environmental review was conducted with the Tentative Map approval.

FINANCIAL STATEMENT

The City Fee Schedule allows for full cost recovery of staff time from fees paid by the developer.

RECOMMENDATION

Adopt the attached Resolution approving the Final Map.

ATTACHMENTS (Listed Below)

Resolution
Vicinity Map

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE
APPROVING THE FINAL MAP FOR UNIT 3 FOR TENTATIVE MAP 2004-08
(SKY RANCH SUBDIVISION)
LOCATION: RATTLESNAKE MOUNTAIN PLANNED DEVELOPMENT AREA**

WHEREAS, on June 8, 2005, City Council approved Resolution No. 038-2005 for the approval of the Sky Ranch Vesting Tentative Map 2004-08 to allow development of 371 residential units located within the Rattlesnake Mountain Planned Development Area; and

WHEREAS, the developer Lennar Homes has complied with all provisions of the Tentative Map approval required for recordation of the Final Map for Unit 3; and

WHEREAS, under the direction of the City Engineer the Final Map for Unit 3 has been examined and found to be technically correct, in compliance with State law, applicable Municipal Code and in substantial conformance with the approved Tentative Map.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Santee does hereby approve the Final Map for Unit 3 of Tentative Map 2004-08.

BE IT FURTHER RESOLVED that the City Council does hereby authorize the City Manager to execute the Subdivision Improvement Agreement on their behalf and directs the City Clerk to certify approval of the Final Map for Unit 3 and the associated Subdivision Improvement Agreement and certify rejection or acceptance of all dedications and easements as indicated on the Final Map for Unit 3, and directs staff to submit the map to the County Recorder for recordation.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this _____ day of _____ 2007, by the following vote to wit:

AYES:

NOES:

ABSENT:

APPROVED:

RANDY VOEPEL, MAYOR_____

ATTEST:

LINDA A. TROYAN, MMC, CITY CLERK

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 11**ITEM TITLE****FISCAL YEAR 2007-08 STATE OF CALIFORNIA CITIZENS' OPTION
FOR PUBLIC SAFETY (COPS) PROGRAM – SUPPLEMENTAL LAW
ENFORCEMENT FUNDS****DIRECTOR/DEPARTMENT**

Keith Till, City Manager

SUMMARY

The Fiscal Year 2007-08 State budget provides funding for the Citizens' Option for Public Safety (COPS) program, which provides cities with money to fund front line law enforcement services. Funds are distributed on a per capita basis and each local law enforcement agency receives a minimum of \$100,000. According to Government Code Section 30061, the City Council is required to appropriate existing and anticipated monies exclusively to fund front line municipal police services in accordance with a written request submitted by the chief of police or the chief administrator responsible for the City's law enforcement program (the City Manager).

When the COPS program began in FY 1996-97, the City Council designated the use of these funds to pay a portion of two new special purpose officers. It is recommended that the FY 2007-08 COPS funding continue to be used to fund a portion (almost 75%) of the cost of a special purpose officer in the Community Oriented Policing unit.

FINANCIAL STATEMENT

The City's allocation of COPS funds to be received in FY 2007-08 is \$106,064.

RECOMMENDATION

Authorize the City Manager to appropriate COPS funds and approve the use of these funds to pay a portion of the cost of one Community Oriented Policing Deputy.

ATTACHMENTS (Listed Below)

None.

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1J**ITEM TITLE****RESOLUTION APPROVING THE FINAL MAP FOR TENTATIVE MAP
2005-07 (SUNRIDGE) LOCATION: 8729 GRAVES AVENUE****DIRECTOR/DEPARTMENT**

Gary Halbert, Development Services

SUMMARY

On May 10, 2006, City Council approved the application to subdivide 5.447 acres into 160 residential condominium units at 8729 Graves Avenue. This item requests City Council approve the Final Map for the Sunridge Subdivision and the associated Lien Contract and Agreement Not to Convey, the Covenant Not to Convey Condominium Units and the associated Subdivision Improvement Agreement.

Securities for this final map are provided by a recorded Lien Contract and Agreement Not to Convey, and the Covenant Not to Convey Condominium Units. These documents will encumber the property and prevent the transfer of ownership of any units without first receiving the written approval from the Director of Development Services. Each unit will be inspected prior to its release to ensure that associated improvements are completed.

The Final Map has been filed with the Department of Development Services and has been found to be technically correct and in substantial conformance with the Tentative Map, the requirements of Resolution No. 033-2006, the Santee Municipal Code and the Subdivision Map Act.

ENVIRONMENTAL REVIEW

Environmental review was conducted with the Tentative Map approval.

FINANCIAL STATEMENT

The City Fee Schedule allows for full cost recovery of staff time from fees paid by the developer.

RECOMMENDATION

Adopt the attached Resolution approving the Final Map.

ATTACHMENTS (Listed Below)

Resolution
Vicinity Map

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE
APPROVING THE FINAL MAP FOR THE SUNRIDGE SUBDIVISION
(TM 2005-07)
LOCATION: 8729 GRAVES AVENUE**

WHEREAS, on May 10, 2006, City Council adopted Resolution No. 033-2006 for the approval of the Sunridge Subdivision Tentative Map to subdivide 5.447 acres into 160 residential condominium units; and

WHEREAS, the developer M. G. Properties has complied with all provisions of the Tentative Map approval required for recordation of the Final Map; and

WHEREAS, under the direction of the City Engineer the Final Map has been examined and found to be technically correct, in compliance with State law, applicable Municipal Code and in substantial conformance with the approved Tentative Map.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Santee does hereby approve the Final Map for Tentative Map 2005-07.

BE IT FURTHER RESOLVED that the City Council does hereby authorize the City Manager to execute the Lien Contract and Agreement Not to Convey, the Covenant Not to Convey Condominium Units, and the Subdivision Improvement Agreement on their behalf and directs the City Clerk to certify approval of the Final Map, the Lien Contract and Agreement Not to Convey, the Covenant Not to Convey Condominium Units, and the associated Subdivision Improvement Agreement and certify rejection or acceptance of all dedications and easements as indicated on the Final Map, and directs staff to submit the map to the County Recorder for recordation.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this _____ day of _____ 2007, by the following vote to wit:

AYES:

NOES:

ABSENT:

APPROVED:

RANDY VOEPEL, MAYOR _____

ATTEST:

LINDA A. TROYAN, MMC, CITY CLERK

MEETING DATE: November 14, 2007

AGENDA ITEM NO. 1K

ITEM TITLE RESOLUTION CONFIRMING THE CITY MANAGER/DIRECTOR OF EMERGENCY SERVICES' PROCLAMATION OF EXISTENCE OF A LOCAL EMERGENCY.

DIRECTOR/DEPARTMENT Keith Till, City Manager

SUMMARY

Ordinance No. 344 of the City of Santee empowers the City Manager to proclaim the existence or threatened existence of a local emergency when the City is affected or likely to be affected by a public calamity and the City Council is not in session.

As a result of the wildfires in San Diego County, specifically the Witch Creek Fire, the City Manager, acting as the Director of Emergency Services, proclaimed the existence of a local emergency within the City of Santee on October 22, 2007. In order for the City to qualify for State assistance, the Proclamation must be ratified by the City Council.

Therefore, a Resolution confirming the City Manager/Director of Emergency Services' Emergency Proclamation is provided.

FINANCIAL STATEMENT N/A

RECOMMENDATION

Adopt Resolution confirming the City Manager/Director of Emergency Service's Emergency Proclamation.

ATTACHMENTS (Listed Below)

Resolution

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE CONFIRMING THE
CITY MANAGER/DIRECTOR OF EMERGENCY SERVICES' PROCLAMATION OF
EXISTENCE OF A LOCAL EMERGENCY**

WHEREAS, section 2.32.06 of the Santee Municipal Code empowers the Director of Emergency Services/City Manager to proclaim a local emergency if the City Council is not in session and requires that the City Council shall take action to ratify the proclamation within seven days thereafter; and

WHEREAS, conditions of extreme peril to the safety of persons and property have arisen within the City of Santee, as a result of the Wildfires in San Diego County, specifically the Witch Creek Fire commencing on or about 12:41 p.m. on Sunday, the 21st day of October, 2007, at which time the City Council of the City of Santee was not in session; and

WHEREAS, the City Council does hereby find that the above described conditions of extreme peril did warrant and necessitate the proclamation of the existence of a local emergency in the vicinity of Santee; and

WHEREAS, the City Manager, acting as the Director of Emergency Services, did proclaim the existence of a local emergency within the City on the 22nd day of October, 2007; and

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Santee that the Proclamation of Existence of a Local Emergency (attached), as issued by the Director of Emergency Services/City Manager, is hereby ratified and confirmed and Council finds the local emergency existed from October 22, 2007 through October 29, 2007.

ADOPTED by the City Council of the City of Santee at a regular meeting of said Council held on the _____ day of _____, 2007, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

RANDY VOEPEL, MAYOR

ATTEST:

LINDA A. TROYAN, MMC, CITY CLERK

Attachment: Emergency Proclamation

MEETING DATE November 14, 2007

AGENDA ITEM NO. 1L

ITEM TITLE REQUEST TO APPROPRIATE FUNDS FOR THE CUYAMACA STREET
TRAFFIC SIGNAL CONTROLLER UPGRADE PROJECT

DIRECTOR/DEPARTMENT Gary Halbert, Development Services

SUMMARY:

This item requests the Community Development Commission appropriate \$110,000 for the Cuyamaca Street Traffic Signal Controller Upgrade Project.

The project will replace five existing traffic signal controllers on Cuyamaca Street from the southern City limit to Town Center trolley station with a type that will be compatible with Caltrans controllers to be installed with the State Route 52 extension project. It will also provide trolley priority functionality for the three signals on Cuyamaca Street. Currently, the project has partial funding from a Federal Congestion Mitigation and Air Quality grant in the amount of \$93,400. The requested appropriation will fund the cost of the signal controller modifications within Trolley Square and the cost for consultant services to design and implement the system. This project is consistent with the City's Transportation Improvement Master Plan.

ENVIRONMENTAL REVIEW

Categorically exempt from the provisions of the California Environmental Quality Act (CEQA) Section 15301 (Class 1 Exemption).

FINANCIAL STATEMENT

Sufficient Redevelopment Funds are available for appropriation.

RECOMMENDATION

Appropriate \$110,000 in Redevelopment Funds and authorize the City Manager to execute the design contract for replacement of the existing controllers.

ATTACHMENTS (Listed Below)

Staff Report

STAFF REPORT
CUYAMACA STREET TRAFFIC SIGNAL CONTROLLER UPGRADE PROJECT
FUNDING REQUEST
CITY COUNCIL MEETING NOVEMBER 14, 2007

Cuyamaca Street is a major arterial with a trolley line running in the middle of the street. Along the trolley tracks, there are three traffic signals between the southern City limit and Mission Gorge Road, and two signals in Trolley Square. Due to the limitations of the current traffic signal controllers, signal operations cannot be fully optimized for intersections along this corridor and would be unable to communicate with future Caltrans controllers that will be installed with the extension of SR-52. As a result, excessive delay is experienced by motorists, pedestrians and the trolley as well.

The project will replace the five existing NEMA traffic signal controllers with a type that is compatible with Caltrans controllers. The new controllers will be able to communicate with future Caltrans SR-52 ramp signals along Cuyamaca Street. It will also provide trolley priority functionality for the three signals on Cuyamaca Street. Trolley priority treatment is a new technology that facilitates trolley movements with nominal affect on traffic flow by providing an early green or an extended green indication for trolley movements. It reduces trolley delay without preempting the traffic signal.

Currently, the project has funding in the amount of \$93,400 from a Federal Congestion Mitigation and Air Quality grant. However the grant only partially covers the estimated total cost of the project of \$203,400. The requested funds will cover the shortfall in the project cost.

This project is consistent with the City's Transportation Improvement Master Plan. The successful execution of this project will reduce overall delay along the trolley corridor for motorists, pedestrians, and the trolley.

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1M**ITEM TITLE**

CITY COUNCIL AUTHORIZATION OF A CHANGE ORDER FOR THE TRAFFIC SIGNAL AND COMMUNICATION SYSTEMS MAINTENANCE CONTRACT WITH REPUBLIC ITS, INCORPORATED.

DIRECTOR/DEPARTMENT

Gary Halbert, Development Services

SUMMARY

This item requests City Council approve a Change Order to the Traffic Signal and Communication Systems Maintenance Contract with Republic ITS, Incorporated.

The City's Enhanced Street Maintenance project is currently under construction. The paving being done under the contract has damaged a number of traffic signal detector loops that need to be replaced. Staff proposes replacement of the loops by Republic ITS, Incorporated under our existing contract for signal maintenance with them. A cost savings of approximately \$2,000 can be achieved by using Republic in lieu of having the paving contractor replace the loops.

ENVIRONMENTAL REVIEW

N/A

FINANCIAL STATEMENT

\$12,000 is available in the Enhanced Street Maintenance budget to cover the cost of the loop replacement.

RECOMMENDATION

Approve the Change Order to the Traffic Signal and Communication Systems Maintenance Contract with Republic ITS, Incorporated, in the amount of \$12,000.

ATTACHMENTS (Listed Below)

None.

MEETING DATE November 14, 2007

AGENDA ITEM NO. 1N

ITEM TITLE RESOLUTION SUPPORTING THE CITY'S APPLICATION FOR A SAFE ROUTE TO SCHOOL (SR2S) GRANT FOR THE CONSTRUCTION OF MISSING SIDEWALKS IN THE ATLAS VIEW DRIVE NEIGHBORHOOD

DIRECTOR/DEPARTMENT Gary Halbert, Development Services

SUMMARY:

This item requests City Council support the City's application for a grant under the States' Safe Route to School (SR2S) program for the construction of missing sidewalks in the Atlas View Drive neighborhood.

The Atlas View Drive neighborhood, consisting of Atlas View Drive, Rhone Road, Slope Street and Pryor Drive, is located approximately one block east of Prospect Avenue School and is within the Prospect Avenue School zone. This neighborhood has a number of missing sidewalks where students either have to walk on dirt or gravel or walk in the street. The installation of continuous sidewalks will make it easier for students to walk to school and may encourage them to do so. The SR2S program provides funding to local jurisdictions for qualified school safety improvement projects. The objective of the funding is to improve safety for school children and encourage walking and biking to school. The building and/or improving sidewalks is one type of qualifying project.

The cost estimate for building the missing sidewalks is approximately \$234,000. The grant will cover 90% of the project cost. Therefore, the City's application is for a grant in the amount of \$210,600.

ENVIRONMENTAL REVIEW

Categorically exempt from the provisions of the California Environmental Quality Act (CEQA) Section 15301 (Class 1 Exemption).

FINANCIAL STATEMENT

A 10% match of City funds in the amount of \$23,400 is required at the time of construction.

RECOMMENDATION

Approve the resolution in support of the City's application for a SR2S grant.

ATTACHMENTS (Listed Below)

Resolution

**RESOLUTION SUPPORTING THE CITY'S APPLICATION FOR A SAFE ROUTE TO
SCHOOL (SR2S) GRANT FOR THE CONSTRUCTION OF
MISSING SIDEWALKS IN THE ATLAS VIEW DRIVE NEIGHBORHOOD**

WHEREAS, the Atlas View Drive neighborhood consisting of Atlas View Drive, Rhone Road, Slope Street and Pryor Drive is deficient with regard to sidewalks for students who would walk to Prospect Avenue School; and

WHEREAS, State's Safe Route to School (SR2S) program provides funding to local jurisdictions for qualified school safety improvement projects including sidewalks; and

WHEREAS, staff requests City Council support for the City's application for a grant under the SR2S program for the construction of missing sidewalks in the Atlas View Drive neighborhood.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Santee, California, that:

The City Council supports staff's effort in obtaining a grant for the construction of missing sidewalks in Atlas View Drive neighborhood and is committed to providing a 10% match in funding at the time of construction if the grant for the project is approved.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this 14th day of November 2007, by the following roll call vote to wit:

AYES:

NOES:

ABSENT:

APPROVED:

RANDY VOEPEL, MAYOR

ATTEST:

LINDA A. TROYAN, MMC, CITY CLERK

MEETING DATE November 14, 2007

AGENDA ITEM NO. 10

ITEM TITLE CITY COUNCIL AUTHORIZATION TO INCREASE THE CONSULTANT DESIGN CONTRACT FOR TOWN CENTER COMMUNITY PARK PHASE 2, CIP 2006-33

DIRECTOR/DEPARTMENT Gary Halbert, Development Services

SUMMARY

This item requests that City Council approve an increase to the consultant design contract with PSOMAS for the Town Center Community Park Phase 2 Improvements. On May 10, 2006 Council authorized a \$935,778 consultant contract with PSOMAS and authorized staff to approve change orders up to \$93,578. Staff has approved six contract change orders totaling \$55,502.50 as of November 5, 2007.

On September 26, 2007, at staff's recommendation, City Council rejected all bids for the construction of the Town Center Community Park - Phase 2 Improvements due to significant errors in bidding and the high cost of the bids received. Staff has taken this opportunity to evaluate several cost saving alternatives. The chosen alternatives require the redesign and value engineering of the site improvements and changes to the construction documents. Staff is estimating the re-design will result in a cost savings of \$2.5 to 3.5 million. In an effort to reduce the overall construction cost of the project staff proposes a contract change with Psomas and their sub-consultants in an amount not to exceed \$160,000 for the recommended design and construction document revisions. The amount also includes additional bid period services required for re-bidding of the project.

FINANCIAL STATEMENT

Sufficient funds are available in the project budget for an increase to the consultant services contract.

RECOMMENDATION

Approve an increase in the consultant design contract and authorize the City Manager to execute a contract change with Psomas.

ATTACHMENTS

None

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1P**ITEM TITLE** **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE
ACCEPTING THE IMPROVEMENTS FOR FIRE STATION NO. 4, HVAC
UPGRADES AS COMPLETE****DIRECTOR/DEPARTMENT** Gary Halbert, Director of Development Services**SUMMARY**

This item requests City Council accept the HVAC improvements for Fire Station No. 4 as complete.

City Council awarded the construction contract for the Fire Station No. 4 HVAC Upgrades, CIP 2006-43 on to W.R. Robbins Company on May 23, 2007. The work began on June 14, 2007 and was substantially complete August 24, 2007.

Staff requests City Council accept the project as complete, releasing the payment retention and authorize filing a notice of completion.

FINANCIAL STATEMENT

The contract was awarded for \$195,000 and Council authorized staff to approve change orders totaling \$9,750. To date, staff has approved one change order totaling \$1,166.39.

RECOMMENDATION

Adopt the attached Resolution accepting the improvements for the Fire Station No. 4 HVAC Upgrade, CIP 2006-43 and authorize a reduction in project retention to five (5%) percent.

ATTACHMENTS (Listed Below)

Resolution

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SANTEE ACCEPTING THE IMPROVEMENTS FOR FIRE
STATION NO. 4, HVAC UPGRADES AS COMPLETE.
(CIP 2006-43)**

WHEREAS, the City Council awarded the construction contract for the Fire Station No. 4 HVAC Upgrades, CIP 2006-43 to W.R. Robbins Company on May 23, 2007 for \$195,000.00; and

WHEREAS, City Council authorized staff to approve change orders not to exceed \$9,750.00; and

WHEREAS, staff approved one change order totaling \$1,166.00 to paint the roofs ducts to match the existing building color; and

WHEREAS, W.R. Robbins Company has substantially completed the project in accordance with the contract plans and specifications.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Santee, California, that the work for the construction of the Fire Station No. 4 HVAC Upgrades, CIP 2006-43 is accepted as complete on this date and the Director of Development Services is directed to record a "Notice of Completion" and authorizes a reduction in project retention to five (5%) percent.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this 14th day of November, 2007, by the following roll call vote to wit:

AYES:

NOES:

ABSENT:

APPROVED:

RANDY VOEPEL, MAYOR

ATTEST:

LINDA A. TROYAN, MMC, CITY CLERK

MEETING DATE**NOVEMBER 14, 2007****AGENDA ITEM NO. 1Q****ITEM TITLE****AUTHORIZE A CHANGE ORDER FOR ADDITIONAL ASPHALT
PATCHING AND PAVING****DIRECTOR/DEPARTMENT**

John W. Coates, Community Services

SUMMARY

At the September 12, 2007 City Council meeting, the Council awarded the Enhanced Street Maintenance contract to Hardy and Harper, Inc. for \$409,500.

During construction, it was identified that the 4-inch deep patching included under alternate bid #1 was not necessary. However an additional 35,000 square feet of 2-inch patch work was needed.

Additionally, the contractor has identified an economy of scale resulting from idle crews due to the recent wild fires. This has enabled the contractor to offer reduced cost per square foot for the services outlined in alternate bid #2, City Maintenance Operations Center parking lot paving. Bid alternate #2 was previously not awarded.

These proposed changes will result in a change order totaling \$151,000.

FINANCIAL STATEMENT

Funding for this additional work is available in the 07-08 budget.

RECOMMENDATION

Authorize the City Manager to approve a Change Order in an amount not to exceed \$151,000 to Hardy and Harper, Inc. to perform additional asphalt patching and paving.

ATTACHMENTS

None

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1R**ITEM TITLE****CITY COUNCIL AUTHORIZATION FOR THE SALE OF EXCESS RIGHT-OF-WAY AT BIG ROCK ROAD AND MISSION GORGE ROAD.****DIRECTOR/DEPARTMENT**

Gary Halbert/Development Services

SUMMARY

This item requests City Council authorization for the sale of excess right-of-way at the intersection of Big Rock Road and Mission Gorge Road.

The construction of State Route 52 required some realignment of Mission Gorge Road in the vicinity of Big Rock Road. Following completion of construction, Caltrans conveyed excess right-of-way they had acquired for the project to the City. The excess right-of-way is approximately 3,300 sq. ft. and serves no needed public use. The adjoining property owner has approached the City with a request to purchase the property and add it to their adjoining site to allow increased development of their property.

The property has been appraised at \$7,725 by a certified real estate appraiser. Due to the low utility of the property, staff concurs with the appraised amount and requests City Council authorization to sell the property at the appraised value.

ENVIRONMENTAL REVIEW

Environmental review will be conducted at the time of development.

FINANCIAL STATEMENT

The sale of the property will provide \$7,725 in revenue to the City.

RECOMMENDATION

Authorize the City Manager to execute a Grant Deed for the sale of the property.

ATTACHMENTS (Listed Below)

Plat showing property to be conveyed.

MEETING DATE November 14, 2007

AGENDA ITEM NO. 1S

ITEM TITLE APPROVAL OF STATE HOMELAND SECURITY GRANT FUNDS FOR
TRAINING AND EQUIPMENT

DIRECTOR/DEPARTMENT Chief Mike Rottenberg, Fire Department

SUMMARY

Santee has been allocated \$33,500 in State Homeland Security Grant (SHSG) 2007 funds by the San Diego County Office of Emergency Services. The funds will be used for specified Homeland Security training and equipment including new portable VHF radios.

FINANCIAL STATEMENT

The grant reimburses the City for eligible equipment and training expenditures: equipment reimbursements must be submitted before December 2008; training reimbursements must be submitted before December 2009. No local matching funds are required.

RECOMMENDATION

Approve \$33,500 in reimbursable 2007 SHSG funds for Homeland Security training and equipment.

ATTACHMENTS (Listed Below)

None

MEETING DATE November 14, 2007

AGENDA ITEM NO. 1T

ITEM TITLE AUTHORIZATION TO REPLACE RESCUE 5 AIR COMPRESSOR FROM
SOLE SOURCE VENDOR

DIRECTOR/DEPARTMENT Chief Mike Rottenberg, Fire Department

SUMMARY

The air compressor mounted in Rescue 5 needs to be replaced. It is an essential component that generates air to re-fill Firefighters' breathing tanks indefinitely at any location needed. Fire Administration has determined the most cost-effective solution is to replace the entire compressor with the same brand that matches existing electronics in Rescue 5. This keeps the new unit compatible with the rest of the system and is cost effective. The manufacturer requires its equipment be supplied and installed by the authorized dealer for this region: California Health & Safety Inc of Long Beach, CA. The dealer's cost to replace the compressor and components is \$16,303.16.

Typically this type of procurement would require at least three competitive bids; however the Hamworthy model air compressor and components being purchased must be compatible with existing electronics/controls already in Rescue 5. Pursuant to Santee Municipal Code Section 3.24.120, the purchasing agent may dispense with the requirements of bidding when the commodity being purchased is required to match or be compatible with other supplies, equipment or materials and the total amount of purchase does not exceed ten thousand dollars (\$10,000). This purchase exceeds ten thousand dollars; therefore Council approval is required.

Staff recommends authorizing a "sole source" purchase of a replacement Hamworthy air compressor and components from California Health & Safety Inc. for amount not to exceed \$16,303.16.

FINANCIAL STATEMENT

The cost of the compressor will be covered through the Fire Department Administration budget.

RECOMMENDATION

Authorize "sole source" purchase of new Hamworthy compressor, components and installation from California Health & Safety Inc for amount not to exceed \$16,303.16.

ATTACHMENTS (Listed Below)

None

MEETING DATE

November 14, 2007

AGENDA ITEM NO. 1U**ITEM TITLE**

RESOLUTIONS INITIATING PROCEEDINGS AND ORDERING THE PREPARATION OF AN ENGINEER'S REPORT, PRELIMINARILY APPROVING THE ENGINEER'S REPORT, AND DECLARING THE CITY COUNCIL'S INTENTION TO LEVY ASSESSMENTS AND SETTING A PUBLIC HEARING DATE FOR ANNEXATION OF THE SKY RANCH SUBDIVISION TO THE SANTEE LANDSCAPE MAINTENANCE DISTRICT

DIRECTOR/DEPARTMENT

Tim K. McDermott, Director of Finance

SUMMARY

As a condition of the project approval, the 223 single family unit and 148 multi-family unit Sky Ranch subdivision (TM04-08) development is required to be annexed to the Santee Landscape Maintenance District (SLMD).

Current assessment district laws require property owners within the newly annexed or assessed zones to register support for or opposition to their assessments through a ballot process. The process establishes the current fiscal year's assessment and maximum rate of annual increases.

Following tonight's actions, property owners will vote on the issue of assessment. Currently, the principal owner of the subdivision is the developer. The landscaping of the Sky Ranch subdivision will be maintained by a homeowner's association and will have a zero assessment. If the association fails to maintain the landscaping, the City will assume maintenance and will levy assessments.

Though there will be no assessments levied at this time, State law still requires an assessment determination to be made. Tonight's action is a streamlined approach to the City's annual assessment process, and is consistent with State laws under which the SLMD was formed. It condenses two Council actions into one by combining the initiation of proceedings and ordering of the Engineer's Report (first action, one resolution) with approval of the Engineer's Report and the setting of the required Public Hearing (second action, two resolutions). The attached three resolutions will need to be adopted in the order shown. Council may confirm the assessment and maximum rate of assessment increase via a fourth Resolution forty five (45) days later during the Public Hearing.

FINANCIAL STATEMENT

Landscaping in the Sky Ranch subdivision will be maintained by the homeowner's association and will have no assessment at this time. All costs related to this annexation, including costs incurred to prepare the engineer's report, have been paid from funds collected from the developer.

RECOMMENDATION

Adopt three (3) Resolutions in the order shown.

ATTACHMENTS (Listed Below)

Map
Resolutions (3)
Engineer's Report

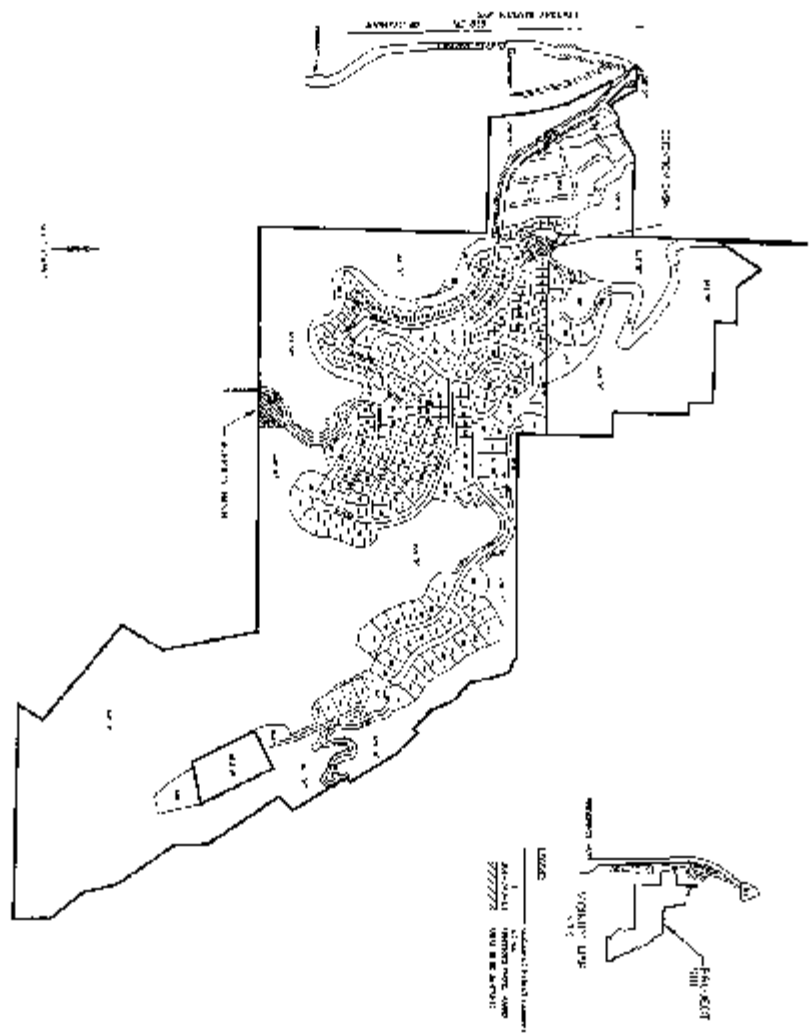


DEFENSE

LANDSCAPE MAINTENANCE DETAIL
APR 19 - 1957

100

1. 100' 200' 300' 400' 500' 600' 700' 800' 900' 1000' 1100' 1200' 1300' 1400' 1500' 1600' 1700' 1800' 1900' 2000' 2100' 2200' 2300' 2400' 2500' 2600' 2700' 2800' 2900' 3000' 3100' 3200' 3300' 3400' 3500' 3600' 3700' 3800' 3900' 4000' 4100' 4200' 4300' 4400' 4500' 4600' 4700' 4800' 4900' 5000' 5100' 5200' 5300' 5400' 5500' 5600' 5700' 5800' 5900' 6000' 6100' 6200' 6300' 6400' 6500' 6600' 6700' 6800' 6900' 7000' 7100' 7200' 7300' 7400' 7500' 7600' 7700' 7800' 7900' 8000' 8100' 8200' 8300' 8400' 8500' 8600' 8700' 8800' 8900' 9000' 9100' 9200' 9300' 9400' 9500' 9600' 9700' 9800' 9900' 10000'



**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE, CALIFORNIA,
INITIATING PROCEEDINGS AND ORDERING THE PREPARATION OF AN ENGINEER'S
REPORT TO ANNEX THE SKY RANCH SUBDIVISION (TM04-08) TO THE SANTEE
LANDSCAPE MAINTENANCE DISTRICT**

WHEREAS, the City Council of the City of Santee desires to initiate proceedings for the annexation of a new zone, the **Sky Ranch Subdivision (TM04-08)**, to an existing landscape maintenance district and subsequent levy of assessments pursuant to the terms and provisions of the "Landscaping and Lighting Act of 1972", being Division 15, Part 2 of the Streets and Highways Code of the State of California, Article XIII D of the California Constitution, and the Proposition 218 Omnibus Implementation Act (commencing with California Government Code Section 53750) (collectively the "Law"), in what is known and designated as: **SANTEE LANDSCAPE MAINTENANCE DISTRICT**, (hereinafter referred to as "District"); and

WHEREAS, these proceedings for the annexation and annual levy of assessments shall relate to the fiscal year commencing July 1, 2007; and

WHEREAS, there has been submitted to this City Council for its consideration at this time maps showing the boundaries of the areas of proposed annexation and assessment for the referenced fiscal year, said maps showing and further describing in general the works or improvements to be annexed to and maintained by said District, said description being sufficient to identify the areas proposed to be annexed and assessed for said maintenance thereof; and

WHEREAS, the Law requires a written report, consisting of: plans and specifications of the area of improvements to be made; an estimate of the costs for maintaining the improvements, including incidental expenses in connection therewith; a diagram of the area proposed to be assessed; and a parcel-by-parcel listing of the assessments of the estimated costs for maintaining the improvements in proportion to the special benefits conferred on such parcels.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Santee, California, as follows:

Section 1. The above recitals are all true and correct.

Section 2. That the maps entitled "**EXHIBIT A: SANTEE LANDSCAPE MAINTENANCE DISTRICT ZONE 19 – SKY RANCH**" as submitted to this City Council, showing the boundaries of the proposed areas to be annexed and assessed, and showing the works or improvements to be maintained, is hereby approved, and a copy thereof shall be on file in the Office of the City Clerk and open to public inspection. The parcels and properties within said area are those proposed to be annexed and assessed to pay certain costs and expenses for said work.

Section 3. That the maintenance work within the area proposed to be annexed and assessed shall be the maintenance or servicing, or both, of any facilities which are appurtenant to any of the foregoing or which are necessary or convenient for the maintenance or servicing thereof in accordance with the Law.

Section 4. That the Director of Finance is hereby ordered to prepare and file with this City

Council, a Report relating to said annexation, annual assessment and levy in accordance with the provisions of the Law.

Section 5. That upon completion, said report shall be filed with the City Clerk, who shall then submit the same to this City Council for its consideration pursuant to Sections 22623 and 22624 of the Streets and Highways Code of the State of California.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this ____ day of _____, 2007, by the following vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, MMC, CITY CLERK

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE, CALIFORNIA,
PRELIMINARILY APPROVING THE ENGINEER'S REPORT FOR THE ANNEXATION OF
THE SKY RANCH SUBDIVISION (TM04-08) TO THE SANTEE LANDSCAPE
MAINTENANCE DISTRICT**

WHEREAS, the City Council of the City of Santee, pursuant to the provision of Division 15, Part 2 of the Streets and Highways Code of the State of California, Article XIII D of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with California Government Code Section 53750) (collectively the "Law"), did by previous Resolution initiate proceedings and order the preparation of an Engineer's Report for the annexation of a new zone, the **Sky Ranch Subdivision (TM04-08)**, to an existing assessment district known and designated as: **SANTEE LANDSCAPE MAINTENANCE DISTRICT** (hereinafter "District"); and

WHEREAS, the Engineer's Report has been presented to this City Council as required by the Law and as previously directed by Resolution; and

WHEREAS, this City Council has examined and reviewed the Engineer's Report as presented, and is satisfied with each and all of the items and documents as set forth therein, and is satisfied that the assessments, on a preliminary basis, have been spread in accordance with the special benefits received from the maintenance to be performed, as set forth in said Engineer's Report.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Santee, California, as follows:

Section 1. The above recitals are all true and correct.

Section 2. That the Engineer's Report as presented, consisting of: plans and specifications, estimate of cost, diagram of the zone proposed for annexation, and assessment of the estimated cost, is hereby approved on a preliminary basis, and is ordered to be filed in the Office of the City Clerk as a permanent record and is to remain open to the public inspection.

Section 5. That upon completion, said report shall be filed with the City Clerk, who shall then submit the same to this City Council for its consideration pursuant to Sections 22623 and 22624 of the Streets and Highways Code of the State of California.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this ____ day of _____, 2007, by the following vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, MMC, CITY CLERK

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE, CALIFORNIA,
DECLARING ITS INTENTION TO PROVIDE FOR AN ANNUAL LEVY AND COLLECTION
OF ASSESSMENTS, AND SETTING THE TIME AND PLACE FOR A PUBLIC HEARING
FOR THE ANNEXATION OF THE SKY RANCH SUBDIVISION (TM04-08) TO THE SANTEE
LANDSCAPE MAINTENANCE DISTRICT**

WHEREAS, the City Council of the City of Santee has previously formed a street lighting and landscaping maintenance district pursuant to the terms and provisions of the “Landscaping and Lighting Act of 1972”, being Division 15, Part 2 of the Streets and Highways Code of the State of California, Article XIII D of the California Constitution, and the Proposition 218 Omnibus Implementation Act (commencing with California Government Code Section 53750) (collectively the “Law”), in what is known and designated as: **SANTEE LANDSCAPE MAINTENANCE DISTRICT**, (hereinafter referred to as “District”); and

WHEREAS, at this time, this City Council desires to take proceedings to annex the **Santee Landscape Maintenance District - Sky Ranch Subdivision** to said District, and to set the annual levy of assessments for the next ensuing fiscal year to provide for the expenses necessary for the maintenance of the improvements with the Sky Ranch; and

WHEREAS, there has been presented and preliminarily approved by this City Council an Assessment Engineer’s Report (“Report”) for Sky Ranch as required by law, and this City Council desires to move forth with the proceedings for said annual levy.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Santee, California, as follows:

Section 1. The above recitals are all true and correct.

Section 2. That the Report contains the following:

- A. The plans and specifications for the improvements proposed to be maintained;
- B. The Assessment Engineer’s estimate of the itemized and total costs and expenses of the maintenance of the improvements and of the incidental expenses in connection therewith;
- C. The diagram showing Sky Ranch proposed to be annexed into the District, including boundaries and dimensions of the respective subdivisions of land within Sky Ranch that will specifically benefit for the improvements;
- D. The proposed assessment of the total amount of the cost and expenses of the improvements to be maintained and of the incidental expenses in connection therewith in proportion to the estimated special benefits to be conferred on parcels within Sky Ranch respectively, by such improvements;
- E. A proposed maximum annual assessment on each of the several parcels of land to pay costs incurred by the City and not otherwise reimbursed which result from the administration and collection of assessments or from the administration of the maintenance of the improvements or any contracts related thereto.

The Report contains the information as required by the Law and, therefore, is in proper form and does not require modification and such Report is hereby adopted, passed upon and preliminarily

approved.

Section 3. That the Report as presented, which is for the Sky Ranch Subdivision for the Fiscal Year 2007-2008, consisting of plans and specifications, estimates of costs, diagram of Sky Ranch, and assessments of the estimated costs, as previously approved on a preliminary basis, is ordered to be filed in the office of the City Clerk as a permanent record and is to remain open to public inspection.

Section 4. That the public interest and convenience requires, and it is the intention of this City Council to order, the annual assessment levy for Sky Ranch as set forth and described in said Report, and further it is determined to be in the best public interest and convenience to levy and collect annual assessments to pay the costs and expenses of said maintenance of improvements as estimated in said Report.

Section 5. That the assessments levied and collected shall be for the maintenance of certain improvements in Sky Ranch, as set forth in the Report, referenced and so incorporated herein.

Section 6. That the time of 7:00 p.m. _____, 2008 and the City Council Chambers located at 10601 Magnolia Avenue, Santee, California, are appointed as the time and place for hearing protests to the annexation of Sky Ranch and to the proposed maintenance of the improvements and the assessment proposed to be levied on the land within Sky Ranch. Any and all persons having objections to the annexation of Sky Ranch, the proposed maintenance of the improvements or the assessment proposed to be levied on the land within Sky Ranch, or any parcel thereof, or the extent of Sky Ranch may appear and show cause why the maintenance of the improvements should not be accomplished or the assessment should not be levied as proposed in accordance with the Resolution of Intention, the Report, and the Law.

Section 7. That pursuant to the provisions of the Law, the record owner of each parcel proposed to be assessed has the right to submit an assessment ballot in favor of or in opposition to the assessment proposed to be levied on such parcel.

Assessment ballots will be mailed to the record owner of each parcel located within Sky Ranch and proposed to be subject to an assessment. Each such owner may complete such assessment ballot and thereby indicate such owner's support for or opposition to the proposed assessment. All such assessment ballots must be received by the City Clerk at or before the time set for the close of the public hearing. An assessment ballot received after the close of the public hearing will not be tabulated even though the postmark on the envelope transmitting the assessment ballot is dated on or before the date of the public hearing.

At the conclusion of the public hearing, the City Council shall cause the tabulation, pursuant to Government Code Section 53753, of the assessment ballots timely received. If a majority protest, as described below, exists the City Council shall not annex Sky Ranch into the District and shall not impose an assessment within Sky Ranch. A majority protest exists if the assessment ballots submitted, and not withdrawn, in opposition to the proposed assessment exceed the assessment ballots submitted, and not withdrawn, in favor of such assessment. In tabulating the assessment ballots, each assessment ballot shall be weighted by the amount of the proposed assessment to be imposed upon the identified parcel for which such assessment ballot was submitted.

Section 8. That the City Clerk is directed to give notice of the public hearing as follows:

- A. At least forty-five (45) days before the date set forth for hearing protests, the City Clerk shall, pursuant to Government Code Section 53753, mail or cause to be mailed, postage prepaid, notice of the public hearing and of the adoption of the Resolution of Intention, and the filing and consideration of the Report to all persons owning real property proposed to be assessed whose names and addresses appear on the last equalized assessment roll for taxes of the County of San Diego, or who are known to the City Clerk. The form of such notice shall conform in all respects with the requirements of Government Code Section 53753 (b) and, pursuant to Government Code Section 53753 (c), each such notice shall contain an assessment ballot whereon the record owner may indicate his or her support for or opposition to the proposed assessment.

The assessments to be reflected in the assessment ballots shall be the proposed assessments set forth as the Report.

- B. Upon the completion of the mailing of such notices, the City Clerk shall file with the City Council a certificate setting forth the time and manner of compliance with the requirements of this resolution for mailing notices.

Section 9. That for purposes of tabulating the assessment ballots for these proceedings as required pursuant to the Law, the City Council hereby designates the City Clerk to act as the tabulation official to tabulate the assessment ballots submitted.

Section 10. That the Finance Department shall publish a copy of this Resolution in The Californian, a newspaper of general circulation within said City, said publication shall not be less than ten (10) days before the date set for said Public Hearings.

Section 11. That is Resolution shall take effect immediately upon its adoption.

Section 12. That for information relating to the proceedings, protest procedure, and documentation and/or information of the procedural or technical nature, contact: Tim K. McDermott, Director of Finance, City of Santee, 10601 Magnolia Avenue, Santee, CA 92071, (619) 258-4100 ext. 144.

ADOPTED by the City Council of the City of Santee, California, at a regular meeting thereof held this ____ day of _____, 2007, by the following vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, MMC, CITY CLERK

Santee Landscape Maintenance District's
Sky Ranch Engineer's Report

can be viewed in the City Clerk's Office

10601 Magnolia Ave.
Santee, CA 92071

MEETING DATE November 14, 2007

AGENDA ITEM NO. 2A

ITEM TITLE PUBLIC HEARING ON AN ORDINANCE TO AMEND CHAPTER 12.04
OF THE SANTEE MUNICIPAL CODE RELATING TO
ENCROACHMENTS WITHIN THE PUBLIC RIGHT-OF-WAY

DIRECTOR/DEPARTMENT Gary Halbert/Development Services

SUMMARY

This item requests City Council continue Item 2A from the October 24, 2007, City Council meeting that had been adjourned and continued to November 7, 2007.

This item was originally scheduled to be heard at the October 24, 2007, City Council meeting. Following development of the ordinance and policy guidelines, City staff received several comments from the public utility providers that serve Santee, requesting further definition and clarification of the recommended maintenance standards. In the attached agenda item, staff proposed adoption of the ordinance and a later adoption of the specific maintenance standards by resolution. The maintenance standards had been contemplated to be brought forward for Council adoption in February, 2008. Adoption of the standards by resolution allows for future refinement of the standards to be made without the need for Code changes.

The recent fires resulted in substantial destruction and damage of public utilities. The public utility providers will need to re-direct maintenance and line crews to the restoration of service to areas impacted by these fires. Staff believes this would be an opportune time to further refine the utility ordinance and develop the maintenance standards and design guidelines with the public utility providers. We will bring the ordinance and recommended standards back to City Council in February as a comprehensive package.

Continuance will allow the utility agencies to divert their resources to where they are most needed, and in the future, be in a better position to address Santee's concerns at the time of adoption of the ordinance.

Staff will continue to implement the design guidelines on a project by project basis as we have done over the past six months with formal adoption of the procedures anticipated in February.

RECOMMENDATION

Open the public hearing and continue to February 27, 2008.

ATTACHMENTS (Listed Below)

Item 2A from the October 24, 2007 City Council meeting.

E-mail from Cox Communications requesting a continuance.

MEETING DATE

November 14, 2007

AGENDA ITEM NO.

ITEM TITLE PUBLIC HEARING FOR THE ESTABLISHMENT OF A MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD) FOR THE SKY RANCH DEVELOPMENT INCLUDING: 1) A RESOLUTION APPROVING THE FORM OF A JOINT COMMUNITY FACILITIES AGREEMENT WITH PADRE DAM MUNICIPAL WATER DISTRICT; 2) A RESOLUTION FORMING AND ESTABLISHING CFD NO. 2007-1; 3) A RESOLUTION DETERMINING THE NECESSITY TO INCUR A BONDED INDEBTEDNESS OF CFD NO. 2007-1 IN A MAXIMUM AMOUNT OF \$16 MILLION AND SUBMITTING BALLOT PROPOSITIONS TO THE QUALIFIED ELECTORS OF SUCH DISTRICT; 4) A RESOLUTION DECLARING THE RESULTS OF A SPECIAL ELECTION OF CFD NO. 2007-1; 5) A RESOLUTION APPROVING THE FORM OF AN ACQUISITION, CONSTRUCTION AND FUNDING AGREEMENT; AND 6) APPROVAL OF AN ORDINANCE AUTHORIZING THE LEVY OF SPECIAL TAXES IN CFD NO. 2007-1.

DIRECTOR/DEPARTMENT

Keith Till, City Manager

SUMMARY

Lennar Homes has requested that the City form a Mello-Roos Community Facilities District ("CFD") to assist in financing various public facility costs associated with the Sky Ranch development. On September 12, 2007 the City Council adopted goals and policies regarding the establishment of such financing districts. On September 26, 2007 the Council approved a Reimbursement Agreement with Lennar in which Lennar agreed to pay the costs associated with the City processing the request for formation of the District. On October 10, 2007, the City Council approved a Resolution of Intention to establish the District and authorize the levy of a special tax to finance the acquisition or construction of certain public facilities. The Resolution of Intention set a public hearing and called a landowner election relating to CFD formation and the proposed Rate and Method of Apportionment of Special Taxes. The Council also approved a Resolution of Necessity to Incur Bonded Indebtedness for the CFD, which set a public hearing relating to the intention of the Council to incur a bonded indebtedness to finance public facilities to be secured by a special tax levy on property within the CFD. Subsequent to that action, a CFD boundary map has been filed with the County Recorder and notices of the public hearings have been published.

The next step in the formation of the CFD is to hold a public hearing to consider the actions necessary to form the CFD as listed below under Recommendations, including financing related to Padre Dam Municipal Water District facilities. If the various actions are taken by Council, a special tax lien would be recorded upon all properties with the CFD. Actual issuance of bonds secured by CFD special taxes (not to exceed \$16 million) would be subject to subsequent Council action authorizing and approving a specific bond issue and the related legal and bond disclosure documents.

(continued on next page)

FINANCIAL STATEMENT

The staff cost of processing the proposed Community Facilities District for Sky Ranch is fully recovered through a developer deposit.

RECOMMENDATIONS

- 1) Following the close of the combined public hearings, adopt a resolution approving the form of a joint community facilities agreement with Padre Dam Municipal Water District;
- 2) Adopt a resolution forming and establishing CFD No. 2007-1;
- 3) Adopt a resolution determining the necessity to incur a bonded indebtedness of CFD No. 2007-1;
- 4) Following the adoption of the foregoing resolutions and completion by the City Clerk of the canvass of the ballots and reporting the results to the Council, adopt a resolution declaring the results of a special election of CFD No. 2007-1;
- 5) Adopt a resolution approving the form of an acquisition, construction and funding agreement;
- 6) Introduce and waive the first reading of an ordinance authorizing the levy of Special Taxes within CFD No. 2007-1.

ATTACHMENTS (Listed Below)

1. Staff Report
2. CFD Report
3. Resolution Approving Form of Joint Community Facilities Agreement with Padre Dam MWD
4. Resolution Forming CFD 2007-1 and Authorizing Submittal of Levy of Special Taxes Therein to Qualified Electors Therein
5. Resolution Determining the Necessity to Incur a Bonded Indebtedness of CFD No. 2007-1
6. Resolution Declaring the Results of a Special Election of CFD No. 2007-1
7. Resolution Approving the Form of an Acquisition, Construction and Funding Agreement;
8. Ordinance Authorizing the Levy of Special Taxes within CFD No. 2007-1.

**Sky Ranch
Staff Report
November 14, 2007**

Project Overview

Lennar Homes has submitted a request to the City to consider the formation of a Community Facilities District ("CFD"). Lennar seeks to use this mechanism to fund City public improvements and impact fees, California Department of Transportation ("Caltrans") improvements, Padre Dam Municipal Water District fees and improvements, and SDG&E facilities associated with the Sky Ranch project.

Lennar currently owns most of Tract No. 04-08, which is planned for 223 single-family detached homes and 148 condominium homes on approximately 377.5 gross acres of land. The project lies within the jurisdictional boundaries of the City of Santee and the Padre Dam Municipal Water District. Lennar plans to build and sell the homes to end users.

Lennar has requested that the City form a Mello Roos district to issue bonds in a maximum of \$16 million. The CFD would include 217 of the single family homes, the 148 condominium homes, and include approximately 130 acres. These bonds would be serviced by a special tax levied on all property within the CFD. The special taxes would be fixed amounts which vary among different use and size classifications. The annual CFD tax amounts, when combined with all other property taxes and assessments, are expected to equal about 1.61% of Lennar's anticipated residential base home prices.

A summary of all of the property taxes anticipated to be levied on properties in the district, including the CFD tax, appears as Attachment 1 to this report.

Steps in the Formation of a Mello-Roos Community Facilities District

The formation of a Mello-Roos Community Facilities District involves a number of steps.

- **Application by property owners:** The City received an initial request for funding assistance by means of a CFD from Lennar Homes earlier this year, submitted by Development Planning & Financing Group, a consultant working for Lennar Homes. Lennar is the single owner of the property to be included in the district. Lennar has posted a deposit with the City in the amount of \$50,000 to pay for initial costs to be incurred in the City's processing of the proposed CFD. Lennar will make additional deposits as needed so that the City's costs are fully recovered.
- **Preparation of a study of rate and methodology for setting the special tax:** This was a key step in consideration of a CFD. The Rate and Method of Apportionment (RMA) prepared by Psomas, the City's special tax consultant, was adopted by the Council on October 10, 2007, and established the parameters for setting the special tax on all properties within the district.
- **Adoption by the City Council of a Resolution of Intention and Resolution of Necessity to Issue Bonds:** These were the first actions of the Council to begin the consideration of the Sky Ranch CFD. The first resolution set forth the parameters of the CFD including the RMA, set a public hearing to be held on November 14th and described the proposed voting procedure to be used for the CFD. The second resolution set forth the possibility of a future bond issue, and

called a public hearing for this matter. These resolutions were approved by the Council on October 10, 2007.

- **Public hearing and adoption of resolutions relating to formation and incurring bonded indebtedness (current agenda):** The Council holds combined public hearings on the formation of the district and the issuance of bonds. At the conclusion of the combined public hearings, the City Council will consider the adoption of a series of three resolutions. Since the authorized facilities include improvements which will be owned by Padre Dam Municipal Water District, the proposed actions at this meeting include approval of a resolution approving a joint community facilities agreement with the Water District. This resolution must be adopted prior to the adoption of the resolution of formation establishing the CFD. If the City Council decides to form the CFD, the City Council will adopt the resolution of formation establishing the CFD, authorizing the financing of the specified facilities and authorizing, subject to approval by the qualified electors of the CFD, the levy of special taxes pursuant to the rate and method of apportionment thereof. The City Council will also approve a resolution determining the necessity to incur a bonded indebtedness of the CFD in an amount not to exceed \$16,000,000 and the submission of ballot propositions to the qualified electors of the CFD to authorize the levy of special taxes, to authorize the bonded indebtedness not to exceed \$16,000,000 and the establishment of an appropriations limit for the CFD.
- **Election of property owners (current agenda):** If the City Council decides to form the CFD, the election will also be conducted immediately following the adoption of the resolutions described above. As the sole landowner within the CFD boundaries, Lennar will be the only qualified elector and has waived certain procedural requirements relating to the CFD election to enable the election to be held immediately following the adoption of the resolution of formation establishing the CFD. Once the property owner election has been completed, the Council will be asked to adopt a resolution declaring the results of the election and to introduce and waive the first reading of an ordinance authorizing the levy of special taxes pursuant to the rate and method of apportionment thereof.
- **Recordation of notice of special tax lien.** The Notice of Special Tax Lien is recorded against the property after action is taken to form the CFD. Lennar has indicated that it anticipates closing with a number of individual home buyers immediately following the formation of the CFD and that it has disclosed the proposed CFD to such buyers. If the CFD is formed, it is the intention of bond counsel and the special tax consultant to file the recordation of the tax lien the day on the day after such Council action.
- **Issuance of bonds and the levy of taxes:** The actual issuance of the bonds would require further Council action and the completion of various documents, including bond documents prepared by bond counsel (Best Best and Krieger) and a preliminary official statement prepared by the City's Disclosure Counsel (Quint & Thimmig). The preliminary official statement would include the RMA, an appraisal (Harris Realty Appraisal), and an absorption study to validate expected prices and sales rates (Empire Economics). The bonds would be sold to investors by the underwriters (UBS). The City's financial advisor (KNN Public Finance) would coordinate the efforts of the various consultants and validate the bond pricing. A resolution authorizing the issuance of bonds will be scheduled prior to the sale of the bonds. If Council approves the formation of the CFD, it is anticipated that the initial levy of special taxes will be on the 2008-09 tax roll.

Rate & Method of Apportionment

The Rate and Method of Apportionment establishes an Assigned Special Tax for various types of property within the proposed CFD, including developed, subdivided and undeveloped property. The special tax rates, combined with all other taxes and assessments currently on the property tax bill, are designed to equal approximately 1.61% of Lennar's proposed home prices. The Assigned Special Taxes for developed Single Family Property (including condominiums) range from \$1,731 per dwelling unit (for homes of less than 1,400 square feet) to \$5,119 per dwelling unit (for homes of 4,500 square feet or more). The RMA provides for taxes on undeveloped property of up to \$17,979 an acre.

The special tax on developed property levied in any year can be increased by up to 10% in the event there is a deficiency owing to a taxpayer delinquency, but cannot be greater than the maximum special tax.

The RMA also provides for a portion of the special tax to be used to cover City's annual administrative expenses. In addition, the RMA allows the prepayment of the Special Tax by any property.

By law and City policy, each property owner must receive and sign a notice of the special tax prior to closing escrow. An example of such a notice appears as Attachment 2 to this report.

Resolution to Incur Bonded Indebtedness and Facilities to be Financed

Based on the maximum overall tax-rate goal of 1.61% of initial sales price of homes, the amount of facilities and fees eligible for financing, and other assumptions regarding interested rates, debt service coverage and costs of issuance, the maximum bond issue is recommended to be established at \$16 million. While bond issuance would not be authorized with the Council actions to establish the formation of the CFD, the maximum amount of bonds that can be issued in the future would be established by the adoption of the resolution determining necessity to incur a bonded Indebtedness.

Following are the facilities that are identified as authorized to be financed:

1. Various facilities that otherwise would be financed from the proceeds of the following City of Santee fees: public facilities fees, traffic mitigation fees, traffic signal fees, drainage fees, and park fees. These facilities may include Town Center Community Park and improvements to the intersections of Mission Gorge Road with Magnolia Avenue and Cuyamaca Street.
2. \$600,000 of City Transnet eligible street improvements as required by Conditions of Approval.
3. Traffic signal located at the intersection of Graves Avenue and Prospect as required by the Conditions of Approval.
4. Graves Avenue street improvements, including storm drain improvements, as required by the Conditions of Approval.
5. Sevilla Street improvements from the project entrance to Calico street, including storm drain improvements, as required by the Conditions of Approval.
6. Public trail system as required by the Conditions of Approval.

7. A public park as required by the Conditions of Approval.
8. Facilities of the Padre Dam Municipal Water District that otherwise would be financed authorized to be financed from the following Water District fees: water capacity/connection fee, sewer capacity/connection fees, and irrigation meter fees.
9. Water and sewer facilities required by the Water District as necessary to serve the development within the District and the construction of which is completed before the resolution of formation to establish the District is adopted.
10. SR 167 ramp improvements as required by CalTrans
11. SDG&E utilities necessary to serve development within the District.

Benefits of Mello-Roos Financing

Among the potential benefits of the creation of CFD and the issuance of Mello-Roos special tax bonds for the Sky Ranch project are the following:

1. 1. Lower home prices and down payment requirements as, according to Lennar, the Mello-Roos financing would enable Lennar to pass on the reduced development costs in the form of lower home prices reflecting, among other factors, lower financing costs.
1. 2. Public infrastructure could be constructed sooner than would otherwise be possible, to the extent bond proceeds are available sooner than the collection of development impact fees

Conclusion

The actions recommended herein will be the last discretionary step taken by the City Council in the formation of the district. If approved, a special tax lien will be recorded on the properties, within the CFD and prospective property owners will be given notice of the special tax. While the actions recommended herein are prerequisite for the formation of a Mello-Roos community facilities district for the Sky Ranch development, they do not commit the City or Lennar to the bond issue.

Attachment 1 – CFD REPORT - Available at the City Clerk's Office

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SANTEE, CALIFORNIA, APPROVING THE FORM OF A
JOINT COMMUNITY FACILITIES FINANCING
AGREEMENT AMONG THE CITY OF SANTEE, THE
PADRE DAM MUNICIPAL WATER DISTRICT AND
LENNAR HOMES OF CALIFORNIA, INC. PERTAINING TO
COMMUNITY FACILITIES DISTRICT NO. 2007-1 (SKY
RANCH)**

WHEREAS, the City Council of the City of Santee, California (the “City Council”), has initiated proceedings to create a Community Facilities District pursuant to the terms and provisions of the “Mello-Roos Community Facilities Act of 1982”, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Act”) for the purpose of providing for the financing of the acquisition of certain public facilities. This Community Facilities District shall hereinafter be referred to as Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California (the “District”); and,

WHEREAS, included among the public facilities proposed to be acquired are certain public facilities which will be owned, operated and maintained by the Padre Dam Municipal Water District (“Padre Dam MWD”); and,

WHEREAS, the Act provides that the District may finance the acquisition of facilities to be owned or operated by an entity other than the City of Santee (the “City”) only pursuant to a Joint Community Facilities Agreement adopted pursuant to Government Code Section 53316.2; and

WHEREAS, Government Code Section 53316.2 provides that the City Council and the legislative body of Padre Dam MWD may enter into a Joint Community Facilities Agreement at any time prior to the adoption by the City Council of the resolution of formation creating the District if each legislative body declares that such Joint Community Facilities Agreement would be beneficial to the residents of each respective agency; and

WHEREAS, the legislative body of Padre Dam MWD has approved the form of Joint Community Facilities Agreement and thereby declared that such Joint Community Facilities Agreement would be beneficial to the residents of Padre Dam MWD; and

WHEREAS, the form of the Joint Community Facilities Agreement among the City, Padre Dam MWD and Lennar Homes of California, Inc. (the “Padre Dam MWD JCFA”) has been presented to this City Council for its consideration.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santee, California, as follows:

SECTION 1. RECITALS. The above recitals are all true and correct.

SECTION 2. DECLARATION. The City Council hereby declares that the Padre Dam JCFA would be beneficial to the residents of the District.

SECTION 3. APPROVAL OF PADRE DAM JCFA. The form of the Padre Dam JCFA as presented to this City Council and on file with the City Clerk is hereby approved. The Mayor or such other official of the City as may be designated by the Mayor (an "Authorized Officer"), acting for and on behalf of the District, is hereby authorized and directed to execute and deliver the Padre Dam JCFA subject to such additions or changes therein as such Authorized Officer shall deem to be in the best interests of the District following consultation with and review by Best Best & Krieger LLP, the City's bond counsel.

ADOPTED by the City Council of the City of Santee, California, at a Regular Meeting thereof held this _____ day of _____, 2007, by the following roll call vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, CMC, CITY CLERK

Attachment: Agreement

JOINT COMMUNITY FACILITIES AGREEMENT
BETWEEN
CITY OF SANTEE,
PADRE DAM MUNICIPAL WATER DISTRICT
AND
LENNAR HOMES OF CALIFORNIA, INC.

**COMMUNITY FACILITIES DISTRICT NO. 2007-1
(SKY RANCH)**

THIS JOINT COMMUNITY FACILITIES AGREEMENT, dated as of November 14, 2007, is entered into by and between CITY OF SANTEE, a municipal corporation (the "City"), PADRE DAM MUNICIPAL WATER DISTRICT, a municipal water district (the "Water District") and LENNAR HOMES OF CALIFORNIA, INC., a California corporation (the "Owner").

R E C I T A L S :

(a) The City Council of the City, at the request of the Owner of approximately 377.5 acres of real property located in the City and Water District and included in Tract No. 04-08 of the City (the "Property"), has initiated proceedings to establish a community facilities district pursuant to the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code (the "Mello-Roos Act") to include the Property for the purpose of financing the construction of certain public facilities to be owned by various public entities (the "Public Facilities") necessary to serve new development within the Property (the "Project"). Such community facilities district has been designated as City of Santee Community Facilities District No. 2007-1 (Sky Ranch) (the "CFD"). The City has also initiated proceedings proposing to authorize the issuance of bonds to be secured by the levy of special taxes within the CFD in an amount expected to be sufficient to finance the acquisition or construction of the Public Facilities.

(b) The Owner has requested that certain water and sewer facilities to be owned and operated by the Water District and which are necessary to provide water and sewer service to the Project be included among the Public Facilities to be financed by the CFD. The Owner will construct or cause the construction of such water and sewer facilities prior to the formation of the CFD (the "Owner Constructed Water District Facilities"), all as described in Exhibit A attached hereto and incorporated herein by this reference.

(c) The Water District levies and collects water and sewer capacity fees (collectively, the "Water District Capacity Fees") as a condition precedent to the approval of the provision of water and sewer service to new development within the Water District, including the Project, to finance the construction of the water and sewer facilities and the acquisition of capacity in existing facilities (the "Water District Capacity Facilities" and, together with the Owner Constructed Water District Facilities, the "Water District Facilities") described in Exhibit A necessary to provide capacity in the Water District's water and sewer systems to serve such new development. The Owner has requested that the CFD finance the construction and acquisition of the Water District Capacity Facilities that would otherwise be financed with the proceeds of the Water District Capacity Fees.

(d) The City desires to assist the Water District by financing through the CFD (i) the acquisition of the Owner Constructed Water District Facilities and (ii) the construction and acquisition of the Water District Capacity Facilities in the approximate amount of \$3,692,000 (representing the estimated amount of the Water District Capacity Fees for the Project less \$260,044 of Water District Capacity Fees previously paid by the Owner) based upon the Water District's 2007 fee schedule for 209 single family homes and 148 condominium homes (the "Water District Capacity Facilities Amount"). In exchange for the receipt of the Water District Capacity Facilities Amount, the Water District agrees to grant a credit in an amount equal to the funds actually received by the Water District from the Water District Capacity Facilities Proceeds of the CFD pursuant to this Agreement in the payment of the Water District Capacity Facilities Amount to be applied against the Water District Capacity Fees charged by the Water District in connection with the development of the Project.

(e) The Water District has reviewed the Water District Capacity Facilities and represents that the construction of such facilities is required by the Water District as a condition of regulatory approval by the Water District of the development of the Project.

(f) Pursuant to Sections 53316.2, 53316.4 and 53316.6 of the Government Code, (i) a community facilities district may finance facilities to be owned or operated by an entity other than the agency that created the community facilities district pursuant to a joint community facilities agreement or a joint exercise of powers agreement adopted pursuant to Section 53316.2; (ii) a party to such an agreement may use the proceeds of any bonds or other indebtedness issued pursuant to the Mello-Roos Act to provide facilities which that party is otherwise authorized by law to provide, even though another party to the agreement does not have the power to provide those facilities; and (iii) no local agency which is a party to a joint community facilities agreement, other than a city, a county, a city and county, or certain joint powers authorities, shall have primary responsibility for formation of a community facilities district unless it is reasonably expected to have responsibility for providing facilities to be financed by a larger share of the proceeds of bonds of the community facilities district created pursuant to the agreement than any other local agency.

(g) The purpose of this Agreement is to set forth the understandings of the parties with respect to the establishment of the CFD, the authorization of bonded indebtedness and the sale of bonds for the CFD, and the allocation of a portion of the proceeds of the sale of such bonds for the acquisition or construction of the Water District Capacity Facilities.

(h) The City and the Water District have each determined that entering into a joint community facilities agreement to enable the CFD to finance the acquisition or construction of the Water District Capacity Facilities will be beneficial to the residents of the City and the Water District respectively, and, therefore, desire to enter into this joint community facilities agreement pursuant to Government Code Section 53316.2.

NOW, THEREFORE, in consideration of the preceding recitals and the mutual covenants hereinafter contained, the parties agree as follows:

1. **Formation Proceedings; Responsibility.** The City Council of the City shall have the jurisdiction to and shall be solely responsible for conducting proceedings pursuant to the Mello-Roos Act for the establishment of the CFD. The City Council shall also have the jurisdiction to and shall be solely responsible for conducting proceedings pursuant to the Mello-Roos Act to

authorize the CFD to incur a bonded indebtedness for the purpose of financing the acquisition or construction of the Public Facilities, including the Water District Capacity Facilities.

The City Council of the City, acting as the legislative body of the CFD, shall have the sole discretion to establish the terms and conditions for and approve the issuance of bonds for the CFD.

The Water District is not directly or indirectly approving or responsible in any way whatsoever for the levy of special taxes within the CFD, nor is the Water District directly or indirectly approving or responsible in any way whatsoever for the issuance of bonds by or for the CFD or the payment of principal of and/or interest on such bonds.

The Water District shall not be responsible in any way whatsoever for the costs of formation of the CFD, or of the ongoing administration of the CFD or of the bonds issued for the CFD.

2. **Issuance of Bonds.** Upon completion of the proceedings for the establishment of the CFD and the authorization of bonded indebtedness, the City shall proceed to issue and sell a series of bonds for and on behalf of the CFD in an aggregate principal amount which shall not exceed \$16,000,000 (the "Bonds") for the purpose of providing funding for financing the design, construction and acquisition of Public Facilities, including the Water District Capacity Facilities. The City shall proceed with the issuance and sale of such Bonds if and when it is determined, in the sole discretion of the City, that all of the conditions which must be satisfied in connection with the issuance and sale of bonds of a community facilities district such as the CFD, including the requirements of Section 53345.8 of the Government Code and the goals and policies of the City with respect to community facilities districts, have been satisfied. In making such determination, the City shall be guided by the advice of its bond counsel ("Bond Counsel") and financial advisor and the underwriter of the Bonds.

The Water District shall have no responsibility whatsoever to prepare, review or approve the bond indenture or fiscal agent agreement or the official statement with respect to the Bonds or any series thereof. The Water District shall have no responsibility whatsoever for any ongoing disclosure obligations pertaining to the Bonds.

3. **The Owner Constructed Water District Facilities.**

The parties agree that the Owner shall be responsible for constructing or causing the construction of the Owner Constructed Water District Facilities, the acquisition of which will be financed by the CFD. Neither the City nor the Water District will be responsible for constructing or causing the construction of the Owner Constructed Water District Facilities. The construction of the Owner Constructed Water District Facilities shall be subject to inspection by the Water District.

The Owner Constructed Water District Facilities must be constructed in accordance with plans and specifications as approved by the Water District (the "Approved Plans and Specifications") and the policies and requirements of the Water District applicable to such construction. The Water District shall notify the City and the Owner when the Owner Constructed Water District Facilities have been completed in accordance with the Approved Plans and Specifications and are ready for acceptance by the Water District.

For any Owner Constructed Water District Facility, Owner hereby agrees to transfer such Owner Constructed Water District Facility to the Water District and the City agrees to pay the Acquisition Price thereof as defined in the Acquisition, Construction and Funding Agreement (defined below) to be entered into by and between the City, for and on behalf of itself and the CFD, and the Owner, as it may be originally executed or as the same may be amended from time to time in accordance with its terms (the "Acquisition Agreement"), subject to the terms and conditions hereof and of the Acquisition Agreement.

The Acquisition Price of each Owner Constructed Water District Facility is to be paid solely from the amounts on deposit in the Water District Facilities Acquisition Account, established by the agreement or instrument pursuant to which the Bonds shall be issued, as originally executed or as the same may be from time to time supplemented or amended in accordance with its terms (the "Fiscal Agent Agreement") and the City shall not be obligated to pay the Acquisition Price for any Owner Constructed Water District Facility except from the amounts on deposit in such Water District Facilities Acquisition Account. None of the City, the CFD or the Water District makes any warranty, either expressed or implied, that the amount on deposit in the Water District Facilities Acquisition Account will be sufficient to pay the full amount of the Acquisition Price of any Owner Constructed Water District Facility.

It is understood by the Owner that the net principal amount of the Bonds that will be deposited into the Water District Facilities Acquisition Account, pursuant to the terms of the Acquisition Agreement and the applicable Fiscal Agent Agreement, and any investment earnings thereon, may not be sufficient to pay the full amount of the Acquisition Price of any Owner Constructed Water District Facility at the time a payment request is approved by the City. If the amounts on deposit in the Water District Facilities Acquisition Account, at the time a payment request is approved by the City, are not sufficient to pay the Acquisition Price for the Owner Constructed Water District Facility or Facilities identified therein, the timing of the payment of the Acquisition Price therefor and the proportionate amount of the Acquisition Price to be paid will be determined consistent with the terms of the Acquisition Agreement. At all times, the construction of Owner Constructed Water District Facilities that are to be financed with the Bonds is made with the expectation that the Acquisition Price for any such Owner Constructed Water District Facility is to be paid by the City (but solely from the proceeds of the Bonds, if any), and that the conveyance of such Owner Constructed Water District Facility to the Water District prior to the receipt of the Acquisition Price, or any portion thereof, for said Owner Constructed Water District Facility shall not be construed as a dedication, gift, or waiver of the payment of the Acquisition Price or any unpaid balance thereof.

Notwithstanding any other provision of this Agreement, the fact that there may not be sufficient funds available in the Water District Facilities Acquisition Account for the Bonds to pay the Acquisition Price for one or more Owner Constructed Water District Facilities will not relieve the Owner from its obligation consistent with its agreements with the Water District or the applicable conditions of approval of the development of the Property imposed by the City or the Water District to construct and maintain such Owner Constructed Water District Facilities until such facilities are accepted by the Water District.

4. **Property Owner as Independent Contractor.** In performing under this Agreement, it is mutually understood that the Owner is acting as an independent contractor, and not as an agent

of the City, the CFD, or the Water District. Except as provided in the following sentence, none of the City, CFD, or the Water District shall have any responsibility for payment to any contractor, subcontractor or supplier of the Owner. The City shall not have any responsibility for payment to any contractor, subcontractor or supplier of the Owner unless such entity or individual is specifically listed as a payee on the Payment Request submitted by the Owner pursuant to this Agreement in which case the City shall be responsible for making such payment only if such Payment Request is approved pursuant to the provisions of this Agreement and the Acquisition Agreement and only from funds available in the Water District Facilities Acquisition Account.

It is not intended by the parties that this Agreement create a partnership or joint venture among them and this Agreement shall not otherwise be construed.

5. The Water District Capacity Facilities.

(a) Allocation of Water District Capacity Facilities Proceeds. Upon the issuance and sale of the Bonds, the Fiscal Agent Agreement with respect to such Bonds shall provide for the delivery by the fiscal agent for the bonds to the Water District of an aggregate amount not to exceed the Water District Capacity Facilities Amount (the "Water District Capacity Facilities Proceeds"). The exact amount of such funds to be transferred to the Water District shall be the net amount of Water District Capacity Facilities Proceeds available after allocating the Bond proceeds to funding (i) the reserve fund for the Bonds, (ii) capitalized interest on the Bonds in the amount approved by the City, (iii) the costs of issuance of the Bonds, the costs of formation of the CFD and the cost of the administration of the CFD and the Bonds for the first year following the issuance of such Bonds and (iv) the cost of constructing or acquiring the City Facilities (as such term is defined in the Acquisition Agreement).

(b) Use of Water District Capacity Facilities Proceeds Received by the Water District. The Water District agrees that the Water District Capacity Facilities Proceeds will be used to pay for the construction and acquisition of Water District Capacity Facilities, and that any facility constructed or acquired, in whole or in part, using such funds, shall have a useful life of not less than five years and shall, upon completion and acceptance thereof, be owned and operated by the Water District.

(c) Credit Against Water District Capacity Fees. Following its receipt of the Water District Capacity Facilities Proceeds pursuant to paragraph 3(a) of this Agreement, the Water District agrees to apply a dollar-for-dollar credit, in the amount thereof, against Water District Capacity Fees otherwise due with respect to the Project. Such credit shall be applied in accordance with the policies and procedures of the Water District.

The City, Water District and Owner understand and agree that to the extent that the Water District Capacity Facilities Proceeds is less than the Water District Capacity Fees due with respect to the development of the Project that payment of such deficiency by Owner shall be required by the Water District as a condition of approval of the development of the Project at the time such Water District Capacity Fees are otherwise due. Any credit for the payment of such Water District Capacity Fees shall be applied to the first units of the Project connecting to the Water District's water system, and any deficiency shall be payable by the Owner from the last units of the Project at the time such Water District Capacity Fees are otherwise due. The Owner further understands and acknowledges that the Water District may, from time to time,

increase the amount of the Water District Capacity Fees. Consequently, nothing in this Agreement shall be interpreted to in any way set or fix the Water District Capacity Fees that will be due in connection with any development, including the Project.

Except to the extent a credit is granted pursuant to this paragraph 3(c), it is not the intent of this Agreement to relieve any person or entity of any obligation they would otherwise have with regard to Water District Capacity Fees. Furthermore, the City does not, by this Agreement, assume the obligation to pay any Water District Capacity Fees that it would not otherwise be obligated to pay.

6. **Tax Matters.** In connection with the issuance of the Bonds, since that portion of the proceeds of such Bonds constituting the Water District Capacity Facilities Proceeds are to be made available to finance the Water District Capacity Facilities, the Water District agrees to execute and deliver such certifications and agreements as may be reasonably required in order for Bond Counsel to conclude that interest on such Bonds will be excluded from gross income under Section 103 of the Internal Revenue Code of 1986.

The Water District further agrees that it shall not use the Water District Capacity Facilities Proceeds in any manner that would cause interest on the Bonds to become included in gross income for federal income tax purpose. The Water District represents the following with respect to the use of the Water District Capacity Facilities Proceeds:

(a) In General. The Water District Capacity Facilities Proceeds will not be used for any activities that constitute a "Private Use" (as such term is defined below in subsection (b)).

(b) Definition of Private Use. For purposes of this Section 4, the term "Private Use" means any activity that constitutes a trade or business that is carried on by persons or entities, other than governmental entities. The leasing of the Water District Capacity Facilities or the access of a person or entity other than a governmental unit to property or services on a basis other than as a member of the general public ("General Public Use") shall constitute a Private Use unless the Water District obtains an opinion of Bond Counsel to the contrary. Use of the Water District Capacity Facilities Proceeds in a trade or business constitutes General Public Use only if the property is intended to be available and is in fact reasonably available for use on the same basis by natural persons not engaged in a trade or business.

(c) Management and Service Contracts. With respect to management and service contracts, the determination of whether a particular use constitutes Private Use under this Section 4 shall be determined on the basis of applying Revenue Procedure 97-13, 1997-5 C.B. 632. As of the date hereof, no portion of the Water District Capacity Facilities is expected to be used to provide property subject to contracts or other arrangements with persons or entities engaged in a trade or business (other than governmental units) that involve the management of property or the provision of services that do not comply with the standards of Revenue Procedure 97-13.

The Water District reasonably expects to expend the Water District Capacity Facilities Proceeds on the Water District Capacity Facilities listed in Exhibit "A," attached hereto, which list may be amended by the Water District from time to time without approval of the Parties, and by this reference herein incorporated, within 3 years from the date of issuance of the Bonds. The Water District shall maintain adequate accounting records in accordance with generally

accepted accounting procedures as to its receipt and expenditure of Water District Capacity Facilities Proceeds for the Water District Capacity Facilities. The Water District will, upon request, provide the City with access to the Water District's records related to the Water District Capacity Facilities and will provide to the City its annual financial report certified by an independent certified public accountant upon the City's request and payment of applicable copying charges, if any, in accordance with the Water District's Public Record Act guidelines.

7. **Investment Earnings.** The Water District shall assist the City in complying with the arbitrage rebate requirements of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations which relate thereto, by keeping accurate records of the investment earnings on any and all investments which the Water District may make of the amount of the Water District Capacity Facilities Proceeds which are delivered to the Water District pursuant to paragraph 3(a) of this Agreement, and at the end of each fiscal year shall provide to the City and its consultants such records and documents as they may reasonably request to enable them to determine the nature of any such investments and the interest earnings thereon for purposes of determining whether any portion thereof must be rebated to the United States of America as rebateable arbitrage earnings. The Water District will not be responsible for any rebate obligation owed on the Bonds.

8. **Indemnification.** The City, acting for and on behalf of itself and the CFD, shall defend, indemnify and hold harmless the Water District, its officers, directors, employees and agents, from and against any and all claims, losses, liabilities, damages, including court costs and reasonable attorneys' fees by reason of, or resulting from, or arising out of (a) the formation of the CFD, (b) the authorization of the levy of special taxes and the issuance of the Bonds, (c) the administration of the CFD and the Bonds, (d) the levy and collection of special taxes by the CFD, (e) the issuance of Bonds and initial and continuing disclosure related to such Bonds and (f) the design and construction of the Public Facilities other than the Water District Capacity Facilities.

The Water District shall defend, indemnify and hold harmless the City and the CFD, its officers, directors, employees and agents, from and against any and all claims, losses, liabilities, damages, including court costs and reasonable attorneys' fees by reason of, or resulting from, or arising out of the operation and maintenance of the Water District Capacity Facilities from and after the date on which the Water District accepts the Water District Capacity Facilities.

The Owner, with regard to its responsibilities under this Agreement, agrees to protect, indemnify, defend and hold the City, the CFD, when formed, and the Water District and their respective directors, officers, City Council of the City, Legislative Body of the CFD, Board of Directors of the Water District, elected officials, employees, representatives and agents (the "Indemnified Parties"), and each of them, harmless from and against any and all claims, liabilities, losses, expenses, suits, actions, decrees, judgments, awards, reasonable attorneys' fees, and court costs which the Indemnified Parties, or any combination thereof, may suffer or which may be sought against or recovered or obtained from the Indemnified Parties, or any combination thereof, as a result of, or by reason of, or arising out of, or in consequence of (a) the approval of this Agreement, (b) the acquisition, construction, or installation of the of the Owner Constructed Water District Facilities, (c) the untruth or inaccuracy of any representation

or warranty made by the Owner in this Agreement or in any certifications delivered by the Owner hereunder, or (e) any act or omission of the Owner, its contractor, or any of its contractors, subcontractors, or their respective officers, employees or agents, in connection with any of the Owner Constructed Water District Facilities constructed or caused to be constructed by Owner or its responsibilities or obligations under this Agreement. If Owner fails to do so, the Indemnified Parties, or each of them, shall have the right, but not the obligation, to defend the same and charge all of the direct or incidental costs of such defense, including reasonable attorneys' fees or court costs, to and recover the same from Owner.

No indemnification is required to be paid by Owner as to an Indemnified Party for any claims, losses, liabilities, expenses, suits, actions, decrees, judgments, awards, reasonable attorney's fees, and court costs (a) arising directly from the willful misconduct or sole or active negligence of that Indemnified Party or (b) arising from the use or operation of a Water District Facility after such facility is accepted by the Water District into its maintained system, unless such claims, losses, liabilities, expenses, suits, actions, decrees, judgments, awards, reasonable attorney's fees, and court costs result from the defective or improper design, construction or installation of such Water District Facility by Owner, or its contractors, subcontractors, or respective officers, employees or agents.

The provisions of this Section shall survive the termination of this Agreement.

9. **Other Agreements.** Nothing contained herein shall be construed as affecting the City's, the Water District's, or the Owner's respective duty to perform its respective obligations under other agreements, land use regulations or subdivision requirements relating to the development of the Property, which obligations are and shall remain independent of the Owner's rights and obligations, the City's rights and obligations and the Water District's rights and obligations under this Agreement; provided, however, that the Owner shall use its commercially reasonable and diligent efforts to perform each and every covenant to be performed by it under any lien or encumbrance, instrument, declaration, covenant, condition, restriction, license, order, or other agreement, the nonperformance of which could reasonably be expected to materially and adversely affect the acquisition, construction and installation of the Owner Constructed Water District Facilities.

10. **General Standard of Reasonableness.** Any provision of this Agreement which requires the consent, approval, discretion or acceptance of any party hereto or any of their respective employees, officers or agents shall be deemed to require that such consent, approval or acceptance not be unreasonably withheld or delayed, unless such provision expressly incorporates a different standard.

11. **Entire Agreement; Amendment.** This Agreement and the agreements expressly referred to herein contain all of the agreements of the parties hereto with respect to the matters contained herein and no prior or contemporaneous agreement or understandings, oral or written, pertaining to any such matters shall be effective for any purpose. No provision of this Agreement may be modified, waived, amended or added to except by a writing signed by the party against which the enforcement of such modification, waiver, amendment or addition is or may be sought.

12. **Notices.** Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to either party shall be deemed to have been received when personally delivered or seventy-two (72) hours following deposit of the same in any United States Post Office in California, registered or certified, postage prepaid, addressed as follows:

City: City of Santee
10601 Magnolia Avenue
Santee, CA 92071
Attention: City Manager

Water District: Padre Dam Municipal Water District
9300 Fanita Parkway
Santee, CA 92071
Attention: General Manager

Owner: Lennar Homes of California, Inc.
San Diego Land Division
1525 Faraday Avenue, Suite 300
Carlsbad, CA 92008
Attention: Project Manager

All notices will be deemed to be effective on the date of mailing. In case any party changes its address at which notice is to be received, written notice of such change of address will be given without delay to the other party.

13. **Severability.** If any provision of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, that provision will be limited or eliminated to the minimum extent necessary so that this Agreement will otherwise remain in full force and effect.

14. **Successors and Assigns.** Each and all provisions hereof shall be binding on and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

15. **Governing Law.** This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California, irrespective of such state's choice-of-law principles.

16. **Waiver.** Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by any other party, or the failure by a party to exercise its rights upon the default of any other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by any other party with the terms of this Agreement thereafter.

17. **Singular and Plural; Gender.** As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

18. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which will constitute one and the same instrument.

19. **Construction of Agreement.** This Agreement has been reviewed by legal counsel for both the City and the Water District and shall be deemed for all purposes to have been jointly drafted by the City and the Water District. No presumption or rule that ambiguities shall be construed against the drafting party shall apply to the interpretation or enforcement of this Agreement. The language in all parts of this Agreement, in all cases, shall be construed as a whole and in accordance with its fair meaning and not strictly for or against any party and consistent with the provisions hereof, in order to achieve the objectives of the parties hereunder. The captions of the sections and subsections of this Agreement are for convenience only and shall not be considered or referred to in resolving questions of construction.

20. **No Obligation to Form CFD or Construct Water District Capacity Facilities.** The Water District and the Owner acknowledges that the decision of the City Council of the City to form the CFD or to include any particular improvement or activity among the improvements to be financed by the CFD is a legislative action and the City may not enter into an agreement to obligate the City Council to exercise its legislative discretion in a particular manner or for a particular result. This Agreement does not, therefore, in any way create a contractual, legal or equitable obligation of or commitment by the City to approve the formation of the CFD or to authorize the financing of the acquisition of the Owner Constructed Water District Facilities or the construction of the Water District Capacity Facilities.

21. **Termination.** This Agreement shall be null and void if the CFD bonds are not sold by the end of the third year following the date of this Agreement or any mutually agreed extension.

22. **Entire Agreement.** This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement and supersedes all prior amendments, understandings and negotiations regarding the same. This Agreement may not be changed, modified, amended or supplemented except by a written instrument signed by all parties to this Agreement.

23. **Further Assurances.** Each party to this Agreement agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

24. **Beneficiaries.** No person or entity and nothing in this Agreement (either express or implied) is intended to confer upon any person or entity, other than the City, the Water District and the Owner, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

CITY OF SANTEE

By: _____
Mayor

ATTEST:

City Clerk

PADRE DAM MUNICIPAL WATER DISTRICT

By: _____
President of the Board of Directors

ATTEST:

Secretary of the Board of Directors

LENNAR HOMES OF CALIFORNIA, a
California corporation

By: _____
Name: _____
Title: _____

EXHIBIT "A"

DESCRIPTION OF OWNER CONSTRUCTED WATER DISTRICT FACILITIES

Water and sewer facilities constructed in Graves Avenue and Sevilla Street as required by the Water District as necessary to serve development within the Project and the construction of which is completed before the adoption by the City Council of the City of the resolution of formation establishing the District.

EXHIBIT "B"

DESCRIPTION OF WATER DISTRICT CAPACITY FACILITIES

Water and sewer facilities as shown in the District's capital improvement program and eligible to be funded from proceeds of the Water District Capacity Fees.

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE,
CALIFORNIA, FORMING AND ESTABLISHING COMMUNITY
FACILITIES DISTRICT NO. 2007-1 (SKY RANCH) OF THE CITY OF
SANTEE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND
AUTHORIZING SUBMITTAL OF LEVY OF SPECIAL TAXES WITHIN
THE DISTRICT TO THE QUALIFIED ELECTORS THEREOF**

WHEREAS, the City Council of the City of Santee, California (the "City Council"), has previously adopted Resolution No. 084-2007 stating that a community facilities district to be known as Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California (the "District") is proposed to be established pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982," being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act") for the purpose of financing the acquisition or construction of certain facilities to be owned by the City of Santee (the "City"), the Padre Dam Municipal Water District or CalTrans and utility facilities to be owned by San Diego Gas & Electric (collectively, the "Facilities") and fixing the time and place for a public hearing on the establishment of the District; and,

WHEREAS, notice was published as required by law relative to the intention of the City Council to establish the District, the levy of special taxes therein, the provision of facilities therein and the incurring of a bonded indebtedness by the District for the purpose of financing such public facilities, and of the time and place of the public hearing; and,

WHEREAS, on November 14, 2007, the City Council conducted the public hearing as required by law relative to the formation of the District, the levy of special taxes therein, the provision of facilities therein, the incurring of a bonded indebtedness by the District; and

WHEREAS, prior to the commencement of the public hearing there was filed with the City Council a report (the "Report") containing a description of the facilities required to meet the needs of the District, and an estimate of the cost of such facilities, as required by Section 53321.5 of the California Government Code; and

WHEREAS, at the public hearing all persons desiring to be heard on all matters pertaining to the formation of the District, the levy of the special taxes therein, the provision of facilities therein, and the incurring of the bonded indebtedness thereby were heard, and a full and fair hearing was held; and

WHEREAS, at the public hearing evidence was presented to the City Council on the matters before it, and the City Council, at the conclusion of the hearing, was fully advised as to all matters relating to the formation of the District, the levy of the special taxes, the provision of facilities therein, and the incurring of the bonded indebtedness thereby; and

WHEREAS, the City Council may, therefore, proceed to establish the District;
and

WHEREAS, Psomas, the Special Tax Consultant to the City for these proceedings, has advised the City Council that they have received a statement from the Office of the Registrar of Voters of the County of San Diego that there are no persons registered to vote in the territory of the District.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santee, California, as follows:

Section 1. Determinations. The City Council determines as follows:

- A. All of the preceding recitals are true and correct.
- B. On November 14, 2007, the City Council conducted the public hearing with respect to the formation of the District, the incurring of bonded indebtedness by and for the District, the annual levying of specified special taxes on the taxable property within the District to pay principal of and interest on bonds to be issued by and for the District to finance the facilities which are described in Section 5 hereof.
- C. All prior proceedings prior to and during the public hearing pertaining to the formation of the District were valid and taken in conformity with the requirements of the law, and specifically the provisions of the Act, and that this finding and determination is made pursuant to the provisions of Government Code Section 53325.1.
- D. No written protests were received, at or prior to the time of the public hearing, against the formation of the District, or the levying of the special taxes, or the incurring of a bonded indebtedness by the District, and the special taxes have, therefore, not been eliminated by majority protest pursuant to Section 53324 of the California Government Code
- E. The District as proposed conforms with the City of Santee Statement of Goals and Policies Regarding the Establishment of Community Facilities Districts (the "Goals and Policies").
- F. The City Council is, therefore, authorized to adopt a resolution of formation pursuant to Section 53325.1 of the California Government Code establishing Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California, and the District should be established.
- G. Less than twelve (12) registered voters have resided within the territory of the District for each of the ninety (90) days preceding the close of the public hearing, therefore, pursuant to the Act the qualified electors of the District shall be the landowners of the District as such term is defined in Government Code Section 53317(f) and each such landowner who is the

owner of record as of the close of the public hearing, or the authorized representative thereof, shall have one vote for each acre or portion of an acre of land that she or he owns within the District.

- H. The time limit specified by the Act for conducting an election to submit the levy of the special taxes to the qualified electors of the District and the requirements for impartial analysis and ballot arguments have been waived with the unanimous consent of the qualified electors of the District.
- I. The City Clerk, acting as the election official, has consented to conducting any required election on a date which is less than 125 days following the adoption of any resolution forming and establishing the District.

Section 2. Community Facilities District Report. The Community Facilities District Report for the District (the "Report"), as now submitted by Psomas, Special Tax Consultant, shall stand as the report as required pursuant to Government Code Section 53321.5 for all future proceedings and all terms and contents are approved as set forth therein.

Section 3. Establishment of District. The City Council does hereby establish and declare the formation of the District to be known and designated as "Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California."

Section 4. Boundaries of District. The boundaries of the District are hereby generally described as follows:

All that property as shown on a map as previously approved by this City Council, such map designated by the name of this District, a copy of which is on file in the Office of the City Clerk and shall remain open for public inspection. The boundary map of the proposed District has been filed pursuant to Sections 3111 and 3113 of the Streets and Highways Code of the State of California in the Office of the County Recorder of the County of San Diego, at Page 66 of Book 41 of the Book of Maps of Assessment and Community Facilities Districts for such County.

Section 5. Description of the Facilities Authorized to be Financed. A general description of the facilities which are proposed to be financed under these proceedings, are generally described in Exhibit A attached hereto and incorporated herein by this reference (the "Facilities").

The Facilities as described herein are facilities which the City Council is authorized by law to contribute revenue to or to construct, own, or operate. It is hereby further determined that the proposed Facilities are necessary to meet increased demands placed upon the City as a result of development occurring within the District, and the costs and expenses charged to this District represent the fair share costs of the Facilities attributable to this District.

The description of the Facilities, as set forth in Exhibit A hereto, is general in its nature. The final nature and location of such Facilities will be determined upon the preparation of final plans and specifications therefor. Such final plans may show substitutes in lieu of, or modification to, the above described facilities and any such substitution shall not be a change or modification in the proceedings as long as the facilities provide a service substantially similar to that as set forth in this Resolution.

Section 6. Special Tax. Except where funds are otherwise available, a special tax, secured by recordation of a continuing lien against all non-exempt real property in the proposed District, is hereby authorized, subject to voter approval, to be levied within the boundaries thereof. For particulars as to the rate and method of apportionment of the special tax proposed to be levied within the District, reference is made to the attached and incorporated Exhibit "B" (as previously defined, the "RMA"), which sets forth in sufficient detail the method of apportionment of the special tax to allow each landowner or resident within the District to estimate the maximum amount that such person will have to pay. Such special tax shall be utilized to pay directly for the Facilities, to pay debt service on bonds issued by the District to assist in financing such Facilities, to establish or replenish any reserve fund established for such bonds, to fund an amount equal to any anticipated shortfall in special tax revenues due to special tax delinquencies and to pay the costs of administering the bonds and the District.

The special taxes herein authorized, to the extent possible, shall be collected in the same manner as ad valorem property taxes and shall be subject to the same penalties, procedure, sale and lien priority in any case of delinquency as applicable for ad valorem taxes; provided, however, the District may utilize a direct billing procedure for any special taxes that cannot be collected on the County tax roll or may, by resolution, elect to collect the special taxes at a different time or in a different manner if necessary to meet its financial obligations.

Under no circumstances will the special tax to be levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than 10 percent.

This legislative body further authorizes that special taxes may be prepaid and satisfied by payment of the prepayment amount calculated pursuant to the Special Tax Formula.

Upon recordation of a Notice of Special Tax Lien pursuant to Section 3114.5 of the Streets and Highways Code of the State of California against the property within the District, a continuing lien to secure each levy of the special tax shall attach to all non-exempt real property in the District and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien canceled in accordance with the law or until collection of the tax by the legislative body ceases.

Section 7. Special Tax Accountability Measures. Pursuant to and in compliance with the provisions of Government Code Section 50075.1, this City Council

hereby establishes the following accountability measures pertaining to the levy by the District of the special taxes described in Section 6 above:

A. The special tax shall be levied for the specific purposes set forth in Section 6 above.

B. The proceeds of the levy of the special tax shall be applied only to the specific applicable purposes set forth in Section 6 above.

C. The District shall establish a separate account into which the proceeds of the special tax shall be deposited.

D. The City Manager or his or her designee, acting for and on behalf of the District, shall annually file a report with the City Council as required pursuant to Government Code Section 50075.3.

Section 8. Preparation of Annual Tax Roll. The name, address and telephone number of the office, department or bureau which will be responsible for preparing annually a current roll of special tax levy obligations by Assessor's parcel number and which shall be responsible for estimating future special tax levies pursuant to Section 53340.1 of the Government Code of the State of California, are as follows:

Director of Finance
City of Santee
10601 Magnolia Avenue
Santee, CA 92071
(619) 258 - 4100

Section 9. Election. This City Council herewith submits the levy of the special tax within the District to the qualified electors thereof, such electors being the landowners in the District, with each landowner having one (1) voter for each acre or portion thereof of land which he or she owns within the District.

ADOPTED by the City Council of the City of Santee, California, at a Regular Meeting thereof held this _____ day of _____, 2007, by the following roll call vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, CMC, CITY CLERK

EXHIBIT A

Description Of Facilities

The Facilities proposed to be financed by the District are generally described as follows:

City of Santee facilities:

12. Facilities authorized to be financed from the proceeds of the following City of Santee fees required to be paid as a condition of approval of the development within the District (the "Conditions of Approval") as contained in Resolution Nos. 038-2005, 039-2005 and 040-2005:

- (a) Public Facilities Fee;
- (b) Traffic Mitigation Fee;
- (c) Traffic Signal Fee;
- (d) Drainage fee; and
- (e) Park Fee.

13. \$600,000 of TransNet eligible street improvements as required by Conditions of Approval.

14. Traffic signal located at the intersection of Graves Avenue and Prospect as required by the Conditions of Approval.

15. Graves Avenue street improvements, including storm drain facilities, as required by the Conditions of Approval.

16. Sevilla Street street improvements from the project entrance to Calico Street, including storm drain facilities, as required by the Conditions of Approval.

17. Public trail system as required by the Conditions of Approval.

18. Public park as required by the Conditions of Approval.

Padre Dam Municipal Water District ("Water District") facilities:

1. Facilities authorized to be financed from the proceeds of the following Padre Dam Municipal Water District fees required to be paid to the Water District as a condition of approval of the development within the District:

- (a) Water capacity/connection fee;
- (b) Sewer capacity/connection fees; and

(c) Irrigation meter fees.

2. Water and sewer facilities required by the Water District as necessary to serve the development within the District and the construction of which is completed before the resolution of formation to establish the District is adopted.

CalTrans facilities:

1. SR 67 ramp improvements as required by the Conditions of Approval.

SDG&E facilities:

1. Utilities necessary to serve development within the District.

EXHIBIT B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR CITY OF SANTEE COMMUNITY FACILITIES DISTRICT NO. 2007-1 (SKY RANCH)

A Special Tax (all capitalized terms are defined in Section A., Definitions below) shall be applicable to each Parcel of Taxable Property located within the boundaries of Community Facilities District No. 2007-1 (Sky Ranch). The amount of Special Tax to be levied in each Fiscal Year, commencing in Fiscal Year 2008-2009, on a Parcel, shall be determined by the City Council of the City of Santee, acting in its capacity such as the legislative body of the CFD, by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property and Public Property and/or Property Owner's Association Property that is not Exempt Property as set forth in Sections B., C., and D., below. All of the real property within the CFD, unless exempted by law or by the provisions hereof in Section E., shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the acreage of a Parcel as indicated on the most recent Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other similar instrument.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means all actual or reasonably estimated costs directly related to the administration of the CFD, including but not limited to: the costs of computing the Special Taxes and of preparing the annual Special Tax collection schedules (whether by the Administrator or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, City, or otherwise); the costs of remitting the Special Taxes to the trustee for any Bonds; the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Special Taxes; the costs of the trustee (including its legal counsel) in the discharge of the duties required of it under any Indenture; the costs of the City or designee in complying with arbitrage rebate and disclosure requirements of applicable federal and State security laws, the Act and the California Government Code, including property owner inquires regarding the Special Taxes; the costs associated with the release of funds from any escrow account; the costs of the City or designee related to an appeal of the Special Tax; and an allocable share of the salaries of the City staff and City overhead expense directly relating to the foregoing. Administrative Expenses shall also include amounts advanced by the City for any administrative purposes of the CFD.

"Administrator" means an official of the City, or designee thereof, responsible for determining the levy and collection of the Special Taxes.

"Approved Property" means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit prior to the April 1st preceding the Fiscal Year in which the Special Tax is being levied.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Special Tax for each Land Use Category of Developed Property, as determined in accordance with Section C.1.a., below.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b., below.

“Bonds” means any bonds or other indebtedness (as defined in the Act) issued by the CFD and secured by the levy of Special Taxes.

“CFD” means Community Facilities District No. 2007-1 (Sky Ranch) of the City established pursuant to the Act.

“City” means the City of Santee.

“Council” means the City Council of the City, acting as the legislative body of the CFD.

“County” means the County of San Diego.

“Developed Property” means all Parcels of Taxable Property, not classified as Approved Property, Undeveloped Property, Public Property and/or Property Owner’s Association Property that are not Exempt Property pursuant to the provisions of Section E. below: (i) that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which the Special Tax is being levied and (ii) for which a building permit for new construction has been issued prior to April 1st preceding the Fiscal Year in which the Special Tax is being levied.

“Exempt Property” means any Parcel, which is exempt from Special Taxes pursuant to Section E., below.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use Category” means any of the categories listed in Table 1.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C., which can be levied in any Fiscal Year on any Parcel.

“Multifamily Residential Property” means any Parcel of Developed Property that consists of a building or buildings comprised of attached residential units available for rental by the general public, not for sale to an end user, and under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit has been issued for the purpose of constructing one or more structures for any type of non-residential use.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number valid at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Property Owner’s Association Property” means any Parcel within the boundary of the CFD, which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owner association, including any master or sub-association.

“Proportionately” means for (i) Residential Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Residential Property, (ii) Approved Property that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all Parcels of Approved Property, (iii) Non-Residential Property that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is the same for all Parcels of Non-Residential Property, and (iv) Undeveloped Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to Section E., that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is the same for all such Parcels.

“Public Property” means any Parcel within the boundary of the CFD which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, City or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

“Residential Floor Area” means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit(s) for the Parcel or similar official document selected by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Residential Property” means all Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Single Family Property” means all Parcels of Residential Property, other than Multifamily Residential Property, for which building permits have been issued for the construction of detached and/or attached residential units.

“Special Tax(es)” means the special tax to be levied in each Fiscal Year on each Parcel of Taxable Property.

“Special Tax Requirement” means that amount required in any Fiscal Year to pay: (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies; and (v) any amounts required to establish or replenish any reserve funds for the outstanding Bonds; plus (vi) the collection and accumulation of funds for the acquisition or construction of the facilities authorized to be financed by the CFD, provided that the inclusion of such amount does not

cause an increase in the levy of Special Tax on Undeveloped Property as set forth in Step 3 of Section D., below; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

“Taxable Property” means all Parcels for which the Special Tax obligation have not been prepaid in full pursuant to Section H.1., or are not exempt from the Special Tax pursuant to law or Section E., below.

“Undeveloped Property” means all Taxable Property, not classified as Developed Property, Approved Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to the provisions of Section E.

B. ASSIGNMENT TO LAND USE CATEGORY

Each Fiscal Year, commencing with the 2008-2009 Fiscal Year, all Parcels of Taxable Property within the CFD shall be classified as either Developed Property, Approved Property, Undeveloped Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to the provisions in Section E., and shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., and D., below.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. A Parcel of Residential Property shall further be classified as Single Family Property or as Multifamily Residential Property. A Parcel of Single Family Property shall be categorized according to its appropriate Land Use Category as shown in Table 1 based on the Residential Floor Area of such Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property shall be the greater of: (i) the applicable Assigned Special Tax described in Table 1 or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property or Multifamily Residential Property shall be the Assigned Special Tax described in Table 1.

a. Assigned Special Tax

The Assigned Special Tax for each Parcel of Developed Property is shown in Table 1 below.

TABLE 1**Assigned Special Taxes for Developed Property**

| Land Use Category | Taxable Unit | Residential Floor Area | Assigned Special Tax Per Taxable Unit |
|--------------------------------------|--------------|--|---------------------------------------|
| 1. Single Family Property | D/U | 4,500 or more sq. ft. | \$5,119 |
| 2. Single Family Property | D/U | 4,000 or more, but less than 4,500 sq. ft. | \$4,218 |
| 3. Single Family Property | D/U | 3,400 or more, but less than 4,000 sq. ft. | \$4,092 |
| 4. Single Family Property | D/U | 2,900 or more, but less than 3,400 sq. ft. | \$3,784 |
| 5. Single Family Property | D/U | 2,500 or more, but less than 2,900 sq. ft. | \$3,708 |
| 6. Single Family Property | D/U | 2,100 or more, but less than 2,500 sq. ft. | \$3,141 |
| 7. Single Family Property | D/U | 1,900 or more, but less than 2,100 sq. ft. | \$2,423 |
| 8. Single Family Property | D/U | 1,700 or more, but less than 1,900 sq. ft. | \$2,093 |
| 9. Single Family Property | D/U | 1,400 or more, but less than 1,700 sq. ft. | \$2,038 |
| 10. Single Family Property | D/U | Less than 1,400 sq. ft. | \$1,731 |
| 11. Multifamily Residential Property | Acre | N/A | \$17,797 |
| 12. Non - Residential Property | Acre | N/A | \$17,979 |

b. Backup Special Tax

When a Final Map is recorded, the Backup Special Tax for a Parcel classified or to be classified as Single Family Property within such Final Map shall be determined by multiplying the Undeveloped Property Maximum Special Tax rate per Acre by the total Acreage of Taxable Property excluding the Acreage associated with Non-Residential Property, Multifamily Residential Property, Public Property and/or Property Owner's Association Property, that is not Exempt Property pursuant to Section E., in such Final Map and dividing such amount by the number of Parcels classified or to be classified as Single Family Property (i.e., the number of residential lots) within such Final Map.

Notwithstanding the foregoing, if Parcels classified or to be classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

The Backup Special Tax shall not apply to Multifamily Residential Property or Non-Residential Property.

2. Approved Property

The Maximum Special Tax for each Parcel of Approved Property shall be the Backup Special Tax computed pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property is \$17,979 per Acre.

4. Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of Public Property and/or Property Owners Association Property that is not Exempt Property pursuant to the provisions of Section E., shall be the Undeveloped Property Maximum Special Tax rate per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2008-2009 and for each following Fiscal Year, the Council shall levy the Special Tax on all Taxable Property until the amount of Special Taxes equals the applicable Special Tax Requirement in accordance with the following steps:

First: The Special Tax shall be levied Proportionately on each Parcel of Residential Property at up to 100% of the applicable Assigned Special Tax rate for Residential Property as needed to satisfy the Special Tax Requirement;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Approved Property at up to 100% of the applicable Maximum Special Tax rate;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax rate;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Parcel of Single Family Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for such Parcel;

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Non-Residential Property at up to 100% of the Maximum Special Tax to be levied on each Parcel of Non-Residential Property;

Sixth: If additional moneys are needed to satisfy the Special Tax Requirement after the first five steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Public Property, and/or Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section E. at up to 100% of the Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, under no circumstances will the Special Taxes levied against any Parcel of Residential Property be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Parcel within the CFD.

E. EXEMPTIONS

The Council shall not levy Special Taxes on up to 57.35 Acres for properties of Public Property and Property Owner's Association Property within the CFD. Exempt Property status will be assigned by the Administrator in the chronological order in which property becomes Public Property and/or Property Owner's Association Property.

After the limit of 57.35 exempt Acres of the CFD has been reached, the Maximum Special Tax obligation for any additional Public Property and/or Property Owner's Association Property shall be prepaid in full pursuant to Section H., prior to the transfer or dedication of such property. Until the Maximum Special Tax obligation is prepaid as provided for in the preceding sentence, the Public Property and/or Property Owner's Association Property within the CFD shall be subject to the levy of the Special Tax as provided for in the sixth step in Section D.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any taxpayer may file a written appeal of the Special Tax levied on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reason why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The Administrator shall review the appeal, meet with the appellant if the Administrator deems necessary, and advise the appellant of its determination. If the Administrator agrees with the appellant, the Administrator shall grant a credit to eliminate or reduce future Special Taxes on the appellant's Parcel(s). No refunds of previously paid Special Taxes shall be made (except for the last year of levy).

The Administrator shall interpret this Rate and Method of Apportionment and make determinations relative to the annual levy and administration of the Special Tax and any taxpayer appeals, as herein specified.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities" means \$12,196,863 expressed in 2007 dollars, which shall increase by the Construction Inflation Index on July 1, 2008, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as

sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes as levied under this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of San Diego, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of San Diego.

“Future Facilities Costs” means the CFD Public Facilities minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

“Outstanding Bonds” means all previously issued Bonds which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property and/or Undeveloped Property for which a building permit has been issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below). Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the prepayment amount of such Parcel. Prepayment must be made not less than 60 days prior to any redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

| | |
|------|--------------------------|
| | Bond Redemption Amount |
| plus | Redemption Premium |
| plus | Future Facilities Amount |
| plus | Defeasance Amount |

| | | |
|--------|--------|----------------------------------|
| | plus | Administrative Fees and Expenses |
| | less | Reserve Fund Credit |
| Total: | equals | Prepayment Amount |

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property, compute the Maximum Special Tax obligation for the Parcel to be prepaid. For Parcels of Approved Property or Undeveloped Property to be prepaid, compute the Maximum Special Tax obligation for the Parcel as though it was already designated as Developed Property, based upon the building permit which has been issued for the Parcel. For Parcels of Public Property and/or Property Owner's Association Property to be prepaid, compute the Maximum Special Tax for that Parcel.
3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total estimated amount of Maximum Special Taxes based on the projected Developed Property Maximum Special Tax or if at build out the actual Developed Property Special Tax which could be charged, less any Parcels which have been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to be retired and prepaid. (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Compute the Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the outstanding Bonds to be redeemed with the Prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "*Defeasance Amount*").

12. Verify the administrative fees and expenses, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
13. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11, and 12, less the amount computed pursuant to paragraph 13 (the "*Prepayment Amount*").
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption of Bonds.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant paragraph 9 above, the Administrator shall remove the current Fiscal Year's Special Tax levy for such Parcel from the County tax rolls. With respect to any Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Parcel, and the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment will be at least 1.1 times maximum principal and interest due in any Fiscal Year of all Outstanding Bonds plus the estimated annual Administrative Expenses.

Tenders of Bonds in prepayment of Maximum Special Taxes may be accepted upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

2. Prepayment in Part

The Maximum Special Tax obligation on a Parcel of Developed Property or a Parcel of Approved Property or Undeveloped Property for which a building permit has been issued may be partially prepaid in increments of \$2,500. For purposes of determining the partial prepayment amount, the provisions of Section H.1.; shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

- PP = the Partial Prepayment
- P_E = the Prepayment Amount calculated according to Section H.1
- A = the Administrative Fees and Expenses calculated according to Section H.1
- F = the percent by which the owner of the Parcel(s) is partially prepaying the Maximum Special Tax obligation.

The owner of a Parcel who desires to partially prepay the Maximum Special Tax shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the amount of partial prepayment expressed in increments of \$2,500, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Within 5 days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the proper amount of a Partial Prepayment. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount of such Parcel. A partial prepayment must be made not less than 60 days prior to any redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment

With respect to any Parcel that is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage (1.00 - F) of the remaining Maximum Special Tax obligation shall continue, and the Special Tax shall continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding, the Special Tax shall be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than the 2042-2043 Fiscal Year.

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE, CALIFORNIA, DETERMINING THE NECESSITY TO INCUR A BONDED INDEBTEDNESS FOR COMMUNITY FACILITIES DISTRICT NO. 2007-1 (SKY RANCH), SUBMITTING TO THE QUALIFIED ELECTORS OF SUCH COMMUNITY FACILITIES DISTRICT SEPARATE PROPOSITIONS TO AUTHORIZE THE LEVY OF A SPECIAL TAX THEREIN, TO AUTHORIZE SUCH COMMUNITY FACILITIES DISTRICT TO INCUR A BONDED INDEBTEDNESS SECURED BY THE LEVY OF SUCH SPECIAL TAX TO FINANCE CERTAIN TYPES OF FACILITIES AND TO ESTABLISH AN APPROPRIATIONS LIMIT FOR SUCH COMMUNITY FACILITIES DISTRICT, AND GIVING NOTICE THEREON

WHEREAS, on October 10, 2007, the City Council (the "City Council") of the City of Santee (the "City"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), adopted Resolution No. 085-2007 declaring the necessity for Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California (the "District"), to incur a bonded indebtedness for the purpose of providing facilities which are necessary for the development of the property therein; and

WHEREAS, notice was published as required by law relative to the intention of the City Council to authorize incurring of a bonded indebtedness by the District, and of the time and place of the public hearing; and

WHEREAS, on November 14, 2007, the City Council conducted the public hearing and afforded all persons interested, including persons owning property within the District, an opportunity to be heard on the proposed authorization to incur bonded indebtedness, and no protests were received; and

WHEREAS, on November 14, 2007, at the conclusion of the hearing, the City Council adopted the resolution of formation pursuant to Section 53325.1(a) of the California Government Code (the "Resolution of Formation"), establishing Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California; and

WHEREAS, the City Council has determined that it is necessary for the District to incur a bonded indebtedness for the purpose of providing facilities which are necessary to the development of the property therein; and

WHEREAS, the City Council further desires to authorize the submittal of propositions to such qualified electors of the District to (a) authorize the levy of special taxes within the District and (b) to establish an appropriation limit for the District; and

WHEREAS, Psomas, the Special Tax Consultant for the District, has advised the City Council that it has received a statement from the Registrar of Voters of the County of San Diego that there are no persons registered to vote in the territory of the District;

WHEREAS, all of the qualified electors of the District have waived the time limits specified in the Act pertaining to the conduct of the election and the requirements for impartial legal analysis and arguments have also been waived by the unanimous consent of the qualified electors of the District; and

WHEREAS, the City Clerk, as the Election Official, has concurred in the shortening of time for conducting the election.

NOW THEREFORE IT IS HEREBY RESOLVED by the City Council of the City of Santee, California, as follows:

Section 1. Recitals. The above recitals are all true and correct.

Section 2. Necessity to Incur a Bonded Indebtedness. The City Council hereby expressly declares and states that it is necessary to incur a bonded indebtedness of the District as authorized under the terms and provisions of the Act, in order to finance the types of facilities described in Exhibit A attached hereto and incorporated herein by this reference.

Section 3. Purposes of the Bond Indebtedness. The specific purposes for the proposed bonded indebtedness are to finance a portion of the costs of the acquisition or construction of certain facilities consisting of the facilities described in Exhibit A hereto (the "Facilities") which is incorporated herein by this reference, appurtenances and appurtenant work and any and all of those applicable incidental costs described in and authorized by Government Code Section 53345.3.

Section 4. Territory to Pay for Bonded Indebtedness. This City Council determines that all taxable property within the entire District will pay for the bonded indebtedness referred to in Section 3 above. A general description of the District is as follows:

All property within the boundaries of Community Facilities District No. 2007-1 (Sky Ranch), as shown on a map as previously approved by the City Council, such map designated by the name of this District, a copy of which is on file in the Office of the City Clerk. The boundary map of the proposed District has been filed pursuant to Sections 3111 and 3113 of the Streets and Highways Code of the State of California in the Office of the County Recorder of the County of San Diego, at Page 66 of Book 41 of the Book of Maps of Assessment and Community Facilities Districts for such County.

Section 5. Amount of Debt. The amount of the proposed bonded indebtedness, including the cost of the Facilities, together with all incidental expenses, shall not exceed \$16,000,000.

Section 6. Bond Terms. This City Council hereby further determines that the maximum term of bonds and/or any series shall not exceed thirty five (35) years, and such bonds may be issued in differing series, at differing times. The maximum rate of interest to be paid on such bonds may not exceed the greater of either twelve percent (12%) per annum or the maximum rate permitted by law at the time of sale of any of such bonds. The bonds, except where other funds are made available, shall be paid exclusively from the annual levy of the special tax within the District, and are not secured by any other taxing power or funds of the District or the City.

Section 7. Accountability Measures. Pursuant to and in compliance with the provisions of Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, this City Council hereby establishes the following accountability measures pertaining to any bonded indebtedness incurred by or on behalf of the District:

- A. Such bonded indebtedness shall be incurred for the applicable specific purposes set forth in the Section 3.
- B. The proceeds of any such bonded indebtedness shall be applied only to the applicable specific purposes identified in Section 3.
- C. The document or documents establishing the terms and conditions for the issuance of any such bonded indebtedness shall provide for the creation of an account into which the proceeds of such indebtedness shall be deposited.
- D. The City Manager or his or her designee, acting for and on behalf of the District, shall annually file a report with this City Council as required by Government Code Section 53411.

Section 8. Election. The date of the special election with respect to the incurring of the aforementioned bonded indebtedness, at which time the proposition set forth in Section 4 hereof shall be submitted to the voters of the District is November 14, 2007, and that special election is hereby called for that date. Pursuant to Section 53326 of the California Government Code, since at the time of the close of the public hearing, and for at least the preceding 90 days, less than 12 persons have been registered to vote within the territory of the District, the vote in the special election will be by the landowners of the District whose property would be subject to the special taxes if they were levied at the time of the election, with each landowner of record at the close of the public hearing having one vote for each acre or portion of an acre of land that he or she owns within the District, and the special election shall be conducted by the City Clerk. The special election shall be conducted by the City Clerk pursuant to applicable provisions of the California Elections Code with respect to mail-ballot elections of cities and specifically Division 4 (commencing with Section 4000) of that Code, insofar as they may be applicable. Pursuant to Section 53326 of the California Government Code, the official ballots shall be delivered or caused to be delivered by the City Clerk to the qualified electors by personal service. The voted official ballots shall be received by the City Clerk by 8:00 p.m. on the date of the election; provided that if all qualified electors have voted, the election shall be closed with the concurrence of the City Clerk.

Section 9. Ballots. The ballot proposals to be submitted to the qualified voters of the District at the election shall generally be as follows:

PROPOSITION A

Shall the Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California, subject to accountability measures set forth in California Government Code section 50075.1, levy a special tax throughout such district pursuant to the rate and method of apportionment thereof set forth in Exhibit A to this ballot for the purposes of paying debt service on bonds of such district, establishing or replenishing the reserve fund for such bonds, funding an amount equal to any anticipated shortfall in special tax revenues resulting from delinquencies in the payment of special taxes, paying costs of administering such indebtedness and such district and paying directly for the authorized facilities described Exhibit B to this ballot?

PROPOSITION B

Shall the Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California, subject to accountability measures set forth in California Government Code section 53410 and following, incur a bonded indebtedness of such district in an amount not to exceed \$16,000,000 for a maximum term not to exceed 40 years and with interest at a rate or rates not to exceed the maximum interest rate permitted by law for the purposes of financing the facilities described in Exhibit B to this ballot and paying incidental expenses?

PROPOSITION C

Shall the Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California, establish an Article XIIIB appropriations limit equal to \$16,000,000?

Section 10. Vote. The appropriate mark placed on the line or in the box in front of the word "YES" shall be counted in favor of the adoption of the proposition, and the appropriate mark placed on the line or in the box in front of the word "NO" in the manner as authorized, shall be counted against the adoption of such proposition.

ADOPTED by the City Council of the City of Santee, California, at a Regular Meeting thereof held this _____ day of _____, 2007, by the following roll call vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, CMC, CITY CLERK

EXHIBIT A

DESCRIPTION OF FACILITIES

The Facilities proposed to be financed by the District are generally described as follows:

City of Santee facilities:

19. Facilities authorized to be financed from the proceeds of the following City of Santee fees required to be paid as a condition of approval of the development within the District (the "Conditions of Approval") as contained in Resolution Nos. 038-2005, 039-2005 and 040-2005:

- (a) Public Facilities Fee;
- (b) Traffic Mitigation Fee;
- (c) Traffic Signal Fee;
- (d) Drainage fee; and
- (e) Park Fee.

20. \$600,000 of TransNet eligible street improvements as required by the Conditions of Approval.

21. Traffic signal located at the intersection of Graves Avenue and Prospect as required by the Conditions of Approval.

22. Graves Avenue street improvements, including storm drain facilities, as required by the Conditions of Approval.

23. Sevilla Street street improvements from the project entrance to Calico Street, including storm drain facilities, as required by the Conditions of Approval.

24. Public trail system as required by the Conditions of Approval.

25. Public park as required by the Conditions of Approval.

Padre Dam Municipal Water District ("Water District") facilities:

2. Facilities authorized to be financed from the proceeds of the following Padre Dam Municipal Water District fees required to be paid to the Water District as a condition of approval of the development within the District:

- (a) Water capacity/connection fee;
- (b) Sewer capacity/connection fees; and
- (c) Irrigation meter fees.

2. Water and sewer facilities required by the Water District as necessary to serve the development within the District and the construction of which is completed before the resolution of formation to establish the District is adopted.

CalTrans facilities:

2. SR 67 ramp improvements as required by the Conditions of Approval.

SDG&E facilities:

Utilities necessary to serve development within the District.

RESOLUTION NO. 2007-_____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE
DECLARING THE RESULTS OF THE SPECIAL ELECTION FOR
COMMUNITY FACILITIES DISTRICT NO. 2007-1 (SKY RANCH) OF
THE CITY OF SANTEE, COUNTY OF SAN DIEGO, STATE OF
CALIFORNIA, ON PROPOSITIONS REGARDING (a) INCURRING A
BONDED INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED
\$16,000,000, (b) THE ANNUAL LEVY OF SPECIAL TAXES AND (c)
ESTABLISHING AN APPROPRIATIONS LIMIT**

WHEREAS, on November 14, 2007, the City Council (the "City Council") of the City of Santee (the "City") adopted a resolution (the "Election Resolution") determining the necessity for Community Facilities District No. 2007-1 (Santee) of the City of Santee, County of San Diego, State of California (the "District"), to incur a bonded indebtedness in an amount not to exceed \$16,000,000 and calling a special election for November 14, 2007 on propositions with respect to incurring such a bonded indebtedness, the authorization to annually levy special taxes on taxable property within the District pursuant to the rate and method of apportionment thereof (the "Rate and Method") as set forth in the resolution of formation adopted by the City Council on November 14, 2007 pursuant to Section 53325.1(a) of the California Government Code, establishing the District, and establishing an appropriations limit for the District; and

WHEREAS, the City Council has received a statement from the City Clerk (the "City Clerk"), who pursuant to the Election Resolution was authorized to conduct the special election and act as the election official therefor, with respect to the canvass of the ballots returned and the results of the special election, certifying that more than two-thirds of the votes cast upon the propositions submitted to the voters in the special election were cast in favor of all such propositions.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santee, California, as follows:

Section 1. Findings. The City Council finds that: (a) there were no persons registered to vote within the boundaries of the District at the time of the close of the public hearing on November 14, 2007, and pursuant to Section 53326 of the California Government Code ("Section 53326") the vote in the special election was, therefore, to be by the landowners owning land within the District, with each landowner having one vote for each acre or portion of an acre of land that he or she owned within the District which would have been subject to the special tax if levied at the time of the special election; (b) pursuant to Section 53326 and the Election Resolution, the City Clerk caused a ballot to be distributed for the special election to Lennar Homes of California, Inc., the owner of all of the taxable property included within the boundaries of the District (the "Property Owner"); (c) the Property Owner waived the time limits for holding the special election and the election dates specified in Section 53326, and consented to the calling and holding of the special election on November 14, 2007; (d) the special election has been properly conducted in accordance with all statutory requirements and the provisions of the Election Resolution; (e) pursuant to Section 53326, the Property

Owner, which owned approximately _____ acres in the District, was entitled to a total of ____ votes; (f) the ballot was returned by the Property Owner to the City Clerk prior to the hour on the date of the election specified by the City Council for the return of voted ballots; (g) the ballot returned to the City Clerk by the Property Owner voted all votes to which it was entitled in favor of all propositions set forth therein; (h) more than two-thirds of the votes cast in the special election on each such proposition were cast in favor thereof, and pursuant to Sections 53328, 53329 and 53355 of the California Government Code, all such propositions carried; (i) the City Council, as the legislative body of the District, is therefore authorized to take the necessary action to have the District incur a bonded indebtedness in an amount not to exceed \$16,000,000, to annually levy special taxes on taxable property within the District pursuant to the Rate and Method; and (x) an appropriations limit for the District has been established in the amount of \$16,000,000.

Section 2. Declaration of Results. All votes voted in the special election on the propositions with respect to (a) the District incurring a bonded indebtedness in an amount not to exceed \$16,000,000, (b) the annual levy of special taxes on taxable property within the District pursuant to the Rate and Method, and (c) establishing an appropriations limit for the District in the amount of \$16,000,000 were voted in favor thereof, and all such propositions carried. The aggregate principal amount of the bonded indebtedness to be incurred by the District shall not exceed \$16,000,000.

Section 3. Effect of Elections. The effect of the results of the special election, as specified in Section 2 hereof, is that the City Council, as the legislative body of the District, is authorized (i) to have the District incur a bonded indebtedness in an amount not to exceed \$16,000,000 for the purposes set forth in Proposition B of the Official Ballot for the special election and, after the District has incurred a bonded indebtedness and issued bonds therefor, to annually levy special taxes on taxable property within the District pursuant to the Rate and Method, and an appropriations limit has been established for the District in the amount of \$16,000,000.

Section 4. Notice of Special Tax Lien. The City Clerk shall record a notice of special tax lien pursuant to Section 53328.3 of the California Government Code and Section 3114.5 of the California Streets and Highways Code.

ADOPTED by the City Council of the City of Santee, California, at a Regular Meeting thereof held this _____ day of _____, 2007, by the following roll call vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, CMC, CITY CLERK

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTEE,
CALIFORNIA, APPROVING THE FORM OF AN ACQUISITION,
CONSTRUCTION AND FUNDING AGREEMENT IN COMMUNITY
FACILITIES DISTRICT NO. 2007-1 (SKY RANCH) OF THE CITY OF
SANTEE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA**

WHEREAS, the City Council of the City of Santee, California (the “City Council”), has formed a community facilities district and the qualified electors thereof have approved authorization to levy special taxes and to issue bonds of such community facilities district to finance the acquisition or construction of certain facilities, as authorized pursuant to the terms and provisions of the “Mello-Roos Community Facilities Act of 1982”, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Act”). Such community facilities district is designated as Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California (the “District”); and,

WHEREAS, Lennar Homes of California, Inc. (the “Owner”) is the owner of the property within the District; and

WHEREAS, the District was formed for, among other purposes, the purpose of financing the acquisition or construction of certain facilities to be owned by the City, the Padre Dam Municipal Water District, the State of California or San Diego Gas & Electric; and,

WHEREAS, the City and the Owner have negotiated the terms and conditions pursuant to which such facilities are to be constructed or acquired and bonds are to be issued to finance the acquisition or construction of such facilities and such terms and conditions have been memorialized in an Acquisition, Construction and Funding Agreement by and among the City and the Owner (the “Acquisition Agreement”), the form of which has been presented to this City Council for its consideration and approval.

NOW, THEREFORE, BE IT RESOLVED AND DETERMINED by the City Council of the City of Santee as follows:

Section 1. Recitals. The above recitals are all true and correct.

Section 2. Approval Of Form Of Acquisition Agreement. The form of Acquisition Agreement as presented to this City Council and on file with the City Clerk is hereby approved. The City Manager or such other official of the City as may be designated by the City Manager (an “Authorized Officer”), acting for and on behalf of the District, is hereby authorized and directed to execute and deliver the Acquisition Agreement subject to such additions or changes therein as such Authorized Officer shall deem to be in the best interests of the District following consultation with and review by Best Best & Krieger LLP, the District’s bond counsel.

ADOPTED by the City Council of the City of Santee, California, at a Regular Meeting thereof held this _____ day of _____, 2007, by the following roll call vote to wit:

AYES:

NOES:

ABSENT:

APPROVED

RANDY VOEPEL, MAYOR

ATTEST

LINDA A. TROYAN, CMC, CITY CLERK

ORDINANCE NO. _____

**ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTEE,
CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY
FACILITIES DISTRICT NO. 2007-1 (SKY RANCH) OF THE CITY OF
SANTEE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA,
AUTHORIZING THE LEVY OF A SPECIAL TAX IN SUCH COMMUNITY
FACILITIES DISTRICT**

WHEREAS, the City Council of the City of Santee, California (the "City Council"), has initiated proceedings, held a public hearing, conducted an election and received a favorable vote from the qualified electors authorizing the levy of special taxes in a community facilities district, all as authorized pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982", being Chapter 2.5, Part 1. Division 2, Title 5 of the Government Code of the State of California (the "Act"). This Community Facilities District is designated as Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California (the "District").

The City Council of the City of Santee, California, acting as the legislative body of Community Facilities District No. 2007-1 (Sky Ranch) of the City of Santee, County of San Diego, State of California, does hereby ordain as follows:

Section 1. This City Council does, by the passage of this ordinance, authorize the levy of special taxes on taxable properties located in the District pursuant to the Rate and Method of Apportionment of Special Taxes as set forth in Exhibit "A" attached hereto and incorporated herein by this reference (the "Rate and Method").

Section 2. This City Council, acting as the legislative body of the District, is hereby further authorized, by Resolution, to annually determine the special tax to be levied within the District for the then current tax year or future tax years; provided, however, the special tax to be levied shall not exceed the maximum special tax authorized to be levied pursuant to the Rate and Method.

Section 3. The special taxes herein authorized to be levied, to the extent possible, shall be collected in the same manner as ad valorem property taxes and shall be subject to the same penalties, procedure, sale and lien priority in any case of delinquency as applicable for ad valorem taxes; provided, however, the District may utilize a direct billing procedure for any special taxes that cannot be collected on the County tax roll or may, by resolution, elect to collect the special taxes at a different time or in a different manner if necessary to meet its financial obligations.

Section 4. The special taxes authorized to be levied shall be secured by the lien imposed pursuant to Sections 3114.5 and 3115.5 of the Streets and Highways Code of the State of California, which lien shall be a continuing lien and shall secure each levy of the special tax. The lien of the special tax shall continue in force and effect until the special tax obligation is prepaid, permanently satisfied and canceled in accordance with Section 53344 of the Government Code of the State of California or

until the special tax ceases to be levied by the City Council in the manner provided in Section 53330.5 of said Government Code.

Section 5. This Ordinance shall be effective thirty (30) days after its adoption. Within fifteen (15) days after its adoption, the City Clerk shall cause this Ordinance to be published in a newspaper of general circulation in the City pursuant to the provisions of Government Code Section 36933.

Introduced at a regular meeting of the City Council of the City of Santee, California, on _____, 2007;

Enacted at a regular meeting of the City Council of the City of Santee, California, held on the _____ day of _____, 2007, by the following vote:

EXHIBIT A

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2007-1, (SKY RANCH) OF THE CITY OF SANTEE, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR CITY OF SANTEE COMMUNITY FACILITIES DISTRICT NO. 2007-1 (SKY RANCH)

A Special Tax (all capitalized terms are defined in Section A., Definitions below) shall be applicable to each Parcel of Taxable Property located within the boundaries of Community Facilities District No. 2007-1 (Sky Ranch). The amount of Special Tax to be levied in each Fiscal Year, commencing in Fiscal Year 2008-2009, on a Parcel, shall be determined by the City Council of the City of Santee, acting in its capacity such as the legislative body of the CFD, by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property and Public Property and/or Property Owner's Association Property that is not Exempt Property as set forth in Sections B., C., and D., below. All of the real property within the CFD, unless exempted by law or by the provisions hereof in Section E., shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the acreage of a Parcel as indicated on the most recent Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other similar instrument.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means all actual or reasonably estimated costs directly related to the administration of the CFD, including but not limited to: the costs of computing the Special Taxes and of preparing the annual Special Tax collection schedules (whether by the Administrator or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, City, or otherwise); the costs of remitting the Special Taxes to the trustee for any Bonds; the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Special Taxes; the costs of the trustee (including its legal counsel) in the discharge of the duties required of it under any Indenture; the costs of the City or designee in complying with arbitrage rebate and disclosure requirements of applicable federal and State security laws, the Act and the California Government Code, including property owner inquiries regarding the Special Taxes; the costs associated with the release of funds from any escrow account; the costs of the City or designee related to an appeal of the Special Tax; and an allocable share of the salaries of the City staff and City overhead expense directly relating to the foregoing. Administrative Expenses shall also include amounts advanced by the City for any administrative purposes of the CFD.

“Administrator” means an official of the City, or designee thereof, responsible for determining the levy and collection of the Special Taxes.

“Approved Property” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit prior to the April 1st preceding the Fiscal Year in which the Special Tax is being levied.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Special Tax for each Land Use Category of Developed Property, as determined in accordance with Section C.1.a., below.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b., below.

“Bonds” means any bonds or other indebtedness (as defined in the Act) issued by the CFD and secured by the levy of Special Taxes.

“CFD” means Community Facilities District No. 2007-1 (Sky Ranch) of the City established pursuant to the Act.

“City” means the City of Santee.

“Council” means the City Council of the City, acting as the legislative body of the CFD.

“County” means the County of San Diego.

“Developed Property” means all Parcels of Taxable Property, not classified as Approved Property, Undeveloped Property, Public Property and/or Property Owner’s Association Property that are not Exempt Property pursuant to the provisions of Section E. below: (i) that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which the Special Tax is being levied and (ii) for which a building permit for new construction has been issued prior to April 1st preceding the Fiscal Year in which the Special Tax is being levied.

“Exempt Property” means any Parcel, which is exempt from Special Taxes pursuant to Section E., below.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use Category” means any of the categories listed in Table 1.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C., which can be levied in any Fiscal Year on any Parcel.

“Multifamily Residential Property” means any Parcel of Developed Property that consists of a building or buildings comprised of attached residential units available for rental by the general public, not for sale to an end user, and under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit has been issued for the purpose of constructing one or more structures for any type of non-residential use.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number valid at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Property Owner’s Association Property” means any Parcel within the boundary of the CFD, which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owner association, including any master or sub-association.

“Proportionately” means for (i) Residential Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Residential Property, (ii) Approved Property that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all Parcels of Approved Property, (iii) Non-Residential Property that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is the same for all Parcels of Non-Residential Property, and (iv) Undeveloped Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to Section E., that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is the same for all such Parcels.

“Public Property” means any Parcel within the boundary of the CFD which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, City or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

“Residential Floor Area” means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit(s) for the Parcel or similar official document selected by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Residential Property” means all Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Single Family Property” means all Parcels of Residential Property, other than Multifamily Residential Property, for which building permits have been issued for the construction of detached and/or attached residential units.

“Special Tax(es)” means the special tax to be levied in each Fiscal Year on each Parcel of Taxable Property.

“Special Tax Requirement” means that amount required in any Fiscal Year to pay: (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies; and (v) any amounts required to establish or replenish any reserve funds for the outstanding Bonds; plus (vi) the collection and accumulation of funds for the acquisition or construction of the facilities authorized to be financed by the CFD, provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Undeveloped Property as set forth in Step 3 of Section D., below; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

“Taxable Property” means all Parcels for which the Special Tax obligation have not been prepaid in full pursuant to Section H.1., or are not exempt from the Special Tax pursuant to law or Section E., below.

“Undeveloped Property” means all Taxable Property, not classified as Developed Property, Approved Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to the provisions of Section E.

B. ASSIGNMENT TO LAND USE CATEGORY

Each Fiscal Year, commencing with the 2008-2009 Fiscal Year, all Parcels of Taxable Property within the CFD shall be classified as either Developed Property, Approved Property, Undeveloped Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to the provisions in Section E., and shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., and D., below.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. A Parcel of Residential Property shall further be classified as Single Family Property or as Multifamily Residential Property. A Parcel of Single Family Property shall be categorized according to its appropriate Land Use Category as shown in Table 1 based on the Residential Floor Area of such Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property shall be the greater of: (i) the applicable Assigned Special Tax described in Table 1 or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property or Multifamily Residential Property shall be the Assigned Special Tax described in Table 1.

a. Assigned Special Tax

The Assigned Special Tax for each Parcel of Developed Property is shown in Table 1 below.

TABLE 1**Assigned Special Taxes for Developed Property**

| Land Use Category | Taxable Unit | Residential Floor Area | Assigned Special Tax Per Taxable Unit |
|--------------------------------------|--------------|--|---------------------------------------|
| 1. Single Family Property | D/U | 4,500 or more sq. ft. | \$5,119 |
| 2. Single Family Property | D/U | 4,000 or more, but less than 4,500 sq. ft. | \$4,218 |
| 3. Single Family Property | D/U | 3,400 or more, but less than 4,000 sq. ft. | \$4,092 |
| 4. Single Family Property | D/U | 2,900 or more, but less than 3,400 sq. ft. | \$3,784 |
| 5. Single Family Property | D/U | 2,500 or more, but less than 2,900 sq. ft. | \$3,708 |
| 6. Single Family Property | D/U | 2,100 or more, but less than 2,500 sq. ft. | \$3,141 |
| 7. Single Family Property | D/U | 1,900 or more, but less than 2,100 sq. ft. | \$2,423 |
| 8. Single Family Property | D/U | 1,700 or more, but less than 1,900 sq. ft. | \$2,093 |
| 9. Single Family Property | D/U | 1,400 or more, but less than 1,700 sq. ft. | \$2,038 |
| 10. Single Family Property | D/U | Less than 1,400 sq. ft. | \$1,731 |
| 11. Multifamily Residential Property | Acre | N/A | \$17,797 |
| 12. Non - Residential Property | Acre | N/A | \$17,979 |

b. Backup Special Tax

When a Final Map is recorded, the Backup Special Tax for a Parcel classified or to be classified as Single Family Property within such Final Map shall be determined by multiplying the Undeveloped Property Maximum Special Tax rate per Acre by the total Acreage of Taxable Property excluding the Acreage associated with Non-Residential Property, Multifamily Residential Property, Public Property and/or Property Owner's Association Property, that is not Exempt Property pursuant to Section E., in such Final Map and dividing such amount by the number of Parcels classified or to be classified as Single Family Property (i.e., the number of residential lots) within such Final Map.

Notwithstanding the foregoing, if Parcels classified or to be classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

The Backup Special Tax shall not apply to Multifamily Residential Property or Non-Residential Property.

2. Approved Property

The Maximum Special Tax for each Parcel of Approved Property shall be the Backup Special Tax computed pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property is \$17,979 per Acre.

4. Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of Public Property and/or Property Owners Association Property that is not Exempt Property pursuant to the provisions of Section E., shall be the Undeveloped Property Maximum Special Tax rate per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2008-2009 and for each following Fiscal Year, the Council shall levy the Special Tax on all Taxable Property until the amount of Special Taxes equals the applicable Special Tax Requirement in accordance with the following steps:

First: The Special Tax shall be levied Proportionately on each Parcel of Residential Property at up to 100% of the applicable Assigned Special Tax rate for Residential Property as needed to satisfy the Special Tax Requirement;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Approved Property at up to 100% of the applicable Maximum Special Tax rate;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax rate;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Parcel of Single Family Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for such Parcel;

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Non-Residential Property at up to 100% of the Maximum Special Tax to be levied on each Parcel of Non-Residential Property;

Sixth: If additional moneys are needed to satisfy the Special Tax Requirement after the first five steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Public Property, and/or Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section E. at up to 100% of the Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, under no circumstances will the Special Taxes levied against any Parcel of Residential Property be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Parcel within the CFD.

E. EXEMPTIONS

The Council shall not levy Special Taxes on up to 57.35 Acres for properties of Public Property and Property Owner's Association Property within the CFD. Exempt Property status will be assigned by the Administrator in the chronological order in which property becomes Public Property and/or Property Owner's Association Property.

After the limit of 57.35 exempt Acres of the CFD has been reached, the Maximum Special Tax obligation for any additional Public Property and/or Property Owner's Association Property shall be prepaid in full pursuant to Section H., prior to the transfer or dedication of such property. Until the Maximum Special Tax obligation is prepaid as provided for in the preceding sentence, the Public Property and/or Property Owner's Association Property within the CFD shall be subject to the levy of the Special Tax as provided for in the sixth step in Section D.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any taxpayer may file a written appeal of the Special Tax levied on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reason why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The Administrator shall review the appeal, meet with the appellant if the Administrator deems necessary, and advise the appellant of its determination. If the Administrator agrees with the appellant, the Administrator shall grant a credit to eliminate or reduce future Special Taxes on the appellant's Parcel(s). No refunds of previously paid Special Taxes shall be made (except for the last year of levy).

The Administrator shall interpret this Rate and Method of Apportionment and make determinations relative to the annual levy and administration of the Special Tax and any taxpayer appeals, as herein specified.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities" means \$12,196,863 expressed in 2007 dollars, which shall increase by the Construction Inflation Index on July 1, 2008, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Council concurrently with a covenant that it will

not issue any more Bonds to be supported by Special Taxes as levied under this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of San Diego, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of San Diego.

“Future Facilities Costs” means the CFD Public Facilities minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

“Outstanding Bonds” means all previously issued Bonds which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

2. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property and/or Undeveloped Property for which a building permit has been issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below). Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the prepayment amount of such Parcel. Prepayment must be made not less than 60 days prior to any redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

| | |
|------|----------------------------------|
| | Bond Redemption Amount |
| plus | Redemption Premium |
| plus | Future Facilities Amount |
| plus | Defeasance Amount |
| plus | Administrative Fees and Expenses |
| less | Reserve Fund Credit |

Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property, compute the Maximum Special Tax obligation for the Parcel to be prepaid. For Parcels of Approved Property or Undeveloped Property to be prepaid, compute the Maximum Special Tax obligation for the Parcel as though it was already designated as Developed Property, based upon the building permit which has been issued for the Parcel. For Parcels of Public Property and/or Property Owner's Association Property to be prepaid, compute the Maximum Special Tax for that Parcel.
3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total estimated amount of Maximum Special Taxes based on the projected Developed Property Maximum Special Tax or if at build out the actual Developed Property Special Tax which could be charged, less any Parcels which have been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to be retired and prepaid. (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Compute the Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the outstanding Bonds to be redeemed with the Prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to

evidence the prepayment and the redemption (the “*Administrative Fees and Expenses*”).

13. The reserve fund credit (the “*Reserve Fund Credit*”) shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
16. The Prepayment Amount is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11, and 12, less the amount computed pursuant to paragraph 13 (the “*Prepayment Amount*”).
17. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption of Bonds.

As a result of the payment of the current Fiscal Year’s Special Tax levy as determined pursuant paragraph 9 above, the Administrator shall remove the current Fiscal Year’s Special Tax levy for such Parcel from the County tax rolls. With respect to any Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Parcel, and the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment will be at least 1.1 times maximum principal and interest due in any Fiscal Year of all Outstanding Bonds plus the estimated annual Administrative Expenses.

Tenders of Bonds in prepayment of Maximum Special Taxes may be accepted upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

2. Prepayment in Part

The Maximum Special Tax obligation on a Parcel of Developed Property or a Parcel of Approved Property or Undeveloped Property for which a building permit has been issued may be partially prepaid in increments of \$2,500. For purposes of

determining the partial prepayment amount, the provisions of Section H.1.; shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

- PP = the Partial Prepayment
- P_E = the Prepayment Amount calculated according to Section H.1
- A = the Administrative Fees and Expenses calculated according to Section H.1
- F = the percent by which the owner of the Parcel(s) is partially prepaying the Maximum Special Tax obligation.

The owner of a Parcel who desires to partially prepay the Maximum Special Tax shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the amount of partial prepayment expressed in increments of \$2,500, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Within 5 days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the proper amount of a Partial Prepayment. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount of such Parcel. A partial prepayment must be made not less than 60 days prior to any redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment

With respect to any Parcel that is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage (1.00 - F) of the remaining Maximum Special Tax obligation shall continue, and the Special Tax shall continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding, the Special Tax shall be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than the 2042-2043 Fiscal Year.

MEETING DATE November 14, 2007

AGENDA ITEM NO.

ITEM TITLE **COMMERCIAL PROPERTY REHABILITATION PROGRAM**

DIRECTOR/DEPARTMENT Keith Till, Executive Director

SUMMARY

The Commission's Redevelopment Plan and 5-Year Implementation Plan describe how the tools of the California Community Redevelopment Law (CCRL) will be used to eliminate or minimize blighting influences within the Project Area. Under the CCRL, blighting factors are broadly defined to include physical and economic conditions, as well as measures of public safety and welfare.

While the Implementation Plan places the primary focus of Redevelopment efforts on future phases of the RiverView corporate campus development and the Town Center Community Park project, it also identifies revitalization of the Mission Gorge business corridor as a priority. The emphasis placed on development of the Mission Gorge corridor reflects the broader rationale for the establishment of the Redevelopment Area cited in the 1982 Redevelopment Plan, which was the revitalization of the commercial and manufacturing sectors generally. The renovation of older retail centers and construction/reconstruction of public facilities and improvements were specifically highlighted in the original Redevelopment Plan.

The presence of nonconforming or substandard buildings is considered to be an impediment to economic development and the removal or rehabilitation of such buildings is encouraged where economically feasible. The Redevelopment Plan also identifies as a priority the retention of existing businesses and support for their "economic life" through assistance and enforcement that encourages owners to upgrade and maintain their property consistent with the Plan.

In response to the commercial revitalization goals and priorities established in the Redevelopment Plan and 5-Year Implementation Plan, a **Commercial Property Rehabilitation Program** has been prepared for consideration by the Commission. The proposed program would provide architectural assistance and forgivable loans to commercial tenants and property owners who: 1) cooperate with the CDC in the design of conforming improvements, and; 2) agree to maintain these improvements over a specified period of time.

The program includes three loan products intended to facilitate rehabilitation projects ranging from simple painting and signage projects to more substantial structural enhancements and improvements to the public right-of-way. Each loan is combined with an architectural assistance grant of up to \$10,000 to ensure the highest quality of design is achieved.

For projects of limited scope, an **Awning, Sign and Paint** loan of up to \$25,000 is proposed. A staff evaluation would determine the project's eligibility to participate in the program. Approved architectural fees up to \$10,000 would be fully reimbursed by the Commission as a grant. Upon approval of the applicant's design and budget, the Commission would disburse loan proceeds in reimbursement of approved project costs over \$1,000, up to a maximum of \$25,000. All payments of principal and interest would be deferred over the 5-year term of the loan. At the conclusion of each year following completion of the project during which the improvements have been maintained, 20% of the outstanding principal would be forgiven.

For more extensive projects, a **Commercial Property Improvement** loan of up to \$100,000 is proposed. Participation in this loan program would require a participant match of one dollar for every two dollars loaned by the Commission (for a total project budget of \$150,000). As with the Awning, Sign & Paint loan program, architectural fees up to \$10,000 would be fully reimbursed by the Commission as a grant and all payments of principal and interest would be deferred (in the case of the Commercial Property Improvement loan, over a 10-year term). At the conclusion of each year following completion of the project, 10% of the outstanding principal would be forgiven, so long project improvements have been maintained.

Participants in either the Awning, Sign & Paint or Commercial Property Improvement loan program may apply for additional funding to perform improvements within public areas adjoining their project. A loan of up to \$20,000 would fund sidewalk repairs, landscaping and other enhancements to the public space. Loan proceeds would be disbursed as reimbursements of approved project costs incurred by the borrower, however, participants would not be required to contribute additional matching funds.

California Community Redevelopment Law delegates to the Commission broad authority - and specific obligations - regarding fulfillment of the Project Area's revitalization goals. The character and terms of the proposed Commercial Property Rehabilitation Program are expressly authorized and/or prescribed under the CCRL. Specifically, the Commission is authorized to "advise, encourage, and assist (through a loan program or otherwise) in the rehabilitation and conservation of property...not owned by the Commission." In reviewing proposed projects, the Commission is obligated to promote "an attractive and pleasant environment in the Project Area" by approving only those that "enhance the aesthetic and architectural quality of the Project Area." The Commission is required to "reserve the right to not approve any plans that do not comply with [the Redevelopment Plan]." Finally, the Commission is prohibited from assisting "in the rehabilitation of properties which, in its opinion, are not economically and/or structurally feasible, or which do not further the purposes of [the Redevelopment Plan]."

Staff of the CDC request authorization to share details of the proposed Commercial Property Rehabilitation Program with members of Santee's business community to assess interest in the program as described and obtain feedback on aspects that warrant revision. Staff would return to the Commission within 60 days to report on public input received and request further direction.

FINANCIAL STATEMENT N/A

RECOMMENDATION

Authorize staff to solicit input from the business community regarding the proposed Commercial Property Rehabilitation Program.

ATTACHMENTS (Listed Below)

1. Draft Policy and Procedure Manual for the Commercial Property Rehabilitation Program.

Attachment 1

DRAFT

Commercial Property Rehabilitation Program Policies and Procedures

City of Santee

November, 2007

INTRODUCTION

The Commercial Property Rehabilitation Program (the "Program") is designed to help improve the physical appearance of individual businesses along the commercial corridors and in neighborhood business districts of the Santee Redevelopment Project Area ("Project Area"). It is part of the implementation of the economic revitalization goals of the Redevelopment Plan for the Santee Community Redevelopment Project, and directly serves to remove conditions of blight as documented in that plan. Enhancement of the appearance and functionality of the city's stock of commercial structures is encouraged in order to increase economic activity and property values.

TABLE of CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Section I: PROGRAM COMPONENTS..... | 1 |
| Architectural Assistance | |
| Awning, Sign & Paint Program | |
| Commercial Property Improvement Program | |
| Public Area Improvement Program | |
| Section II: ELIGIBILITY..... | 1 |
| Eligible Area | |
| Eligible Applicants | |
| Ineligible Businesses | |
| Eligible Activities | |
| Ineligible Activities | |
| Section III: APPLICATION PROCEDURES..... | 3 |
| Application Materials | |
| Pre-application Conference | |
| Application Submittal | |
| Section IV: PROJECT APPROVAL PROCEDURES..... | 4 |
| Phased Approval | |
| Loan Committee Review and Approval | |
| Evaluation Criteria | |
| Right of Appeal | |
| Section V: LOAN TERMS..... | 6 |
| Type of Loan | |
| Interest Rate | |
| Payment Schedule | |
| Recipients of Funds | |
| Multiple Bids Required | |
| Payment of Prevailing Wages | |
| Indemnity | |
| Security | |

Due on Sale, Transfer, Default or Refinancing
Maintenance Agreement
Business Association Participation
Construction Schedule
Other Obligations of the Recipient

Section VI: CLOSING OF THE LOAN..... 8

Closing Schedule and Conditions

Section VII: POST-CLOSING PROCEDURES..... 8

Loan Servicing
Disbursement of Loan Proceeds
Performance Monitoring
Partial Loan Forgiveness
Default
Use of Repayments
Annual Program Audit

Exhibits

Exhibit A: Application Form
Exhibit B: Architect Selection Guidelines
Exhibit C: Application Completeness Checklist
Exhibit D: Contractor Selection Guidelines
Exhibit E: Loan Closing Checklist
Exhibit F: Loan Servicing and Monitoring Checklist

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Section I: PROGRAM COMPONENTS

Subject to the availability of program funds, commercial property owners and tenants interested in improving their facilities may qualify for one or more of the following forms of assistance.

A. Architectural Assistance

Architectural design services valued at up to \$10,000, including cost estimates, construction documents and permits, will be provided through grant assistance.

B. Awning, Sign & Paint Program

Forgivable loans of up to \$25,000 to approved property owners or tenants can be used for projects of limited scope, including the painting of building exteriors, adding or repairing business signs and awnings.

C. Commercial Property Improvement Program

Forgivable loans of up to \$100,000 to property owners (up to \$40,000 to non-owner tenants) for more extensive property rehabilitation projects.

C. Public Area Improvement Program

Forgivable loans of up to \$20,000 for public area and landscape improvements.

Section II: ELIGIBILITY

A. Eligible Area

The area served by the Commercial Property Rehabilitation Program shall be within the Santee Redevelopment Project Area, with an emphasis on property with access on Mission Gorge Road.

B. Eligible Applicants

(1) Property Owners: Applications may be submitted by the property owner. Applications for the Commercial Property Improvement Program Loan submitted by owners of multi-tenant properties must include signatures indicating support for the rehabilitation project by two thirds of the property tenants. Real Estate Investment Trusts, Delaware Statutory Trusts, and Tenants-in-Common entities are not eligible to receive funding under this program

(2) Lessees: With the written approval of the property owner, an authorized representative of a lessee may apply for funding under the Commercial Property Rehabilitation Program. Written consent may be either in the form of a lease indicating the lessee's responsibility for property renovation or documentation of the property owner's agreement to the proposed rehabilitation.

- (a) Lease holders must document that the remaining lease term will match or exceed the term of the loan sought at the time of loan issuance.
- (b) If a lessee is accepted to the program, the property owner will be required to co-sign a Maintenance Agreement.
- (c) In the case of the Commercial Property Improvement Program Loan, the owner will be required to acknowledge that the loan will be secured by a lien on the property (i.e. leasehold interest).

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

- (d) Applications for the Commercial Property Improvement Program Loan submitted by master lessees of multi-tenant properties must include signatures indicating support for the rehabilitation project by two thirds of the property sub-lessees.
- (e) Loans to commercial tenants are associated with a single business address. However, master lessees may obtain a single loan for the entire leasehold area. Individual tenants in a commercial center should note that the prioritization criteria favor projects that will make a significant impact visible from the public right-of-way. Interior tenants may wish to solicit interest from the property owner or other tenants to design a comprehensive program of improvements.
- (3) Vacant Units: Subject to CDC discretion, a vacant building or ground floor tenant space may be considered for assistance if there is a signed lease or the owner agrees to submit a marketing program to lease the building or space within a specified period of time.
- (4) No program loans will be made which are in conflict with California Public Contract Code (Gov't Code § 81000 et seq).
- (5) No member of the governing body, review committee, or any other official, employee, or agent of the City who exercises decision-making functions or responsibilities in connection with the implementation of this program is eligible for financial assistance under this program.
- (6) Applicants shall not be disqualified based on age, race, religion, color, handicap, sex, physical condition, development disability, sexual orientation or national origin.

C. Ineligible Businesses

The following businesses are ineligible to participate in the program: gun stores, liquor stores, adult entertainment enterprises, massage parlors, cigarette stores, video game and gambling establishments, auto dealership sites greater than one acre, and commercial buildings larger than 50,000 square feet in total.

D. Eligible Activities

Program loans shall be available to eligible applicants for the following activities:

(1) Awning, Sign and Paint Program Loans: Improvements to commercial structures including, but not limited to: painting, awnings, windows, doors, landscaping, fencing, lighting and signs. Up to twenty five percent (25%) of the project budget may be allocated to interior improvements that address code deficiencies; improve accessibility; or improve energy efficiency (including the conversion or upgrade of utilities, lighting and HVAC systems).

(2) Commercial Property Improvement Program Loans: In addition to those improvements permitted under the Awning, Sign and Paint Program loan, loan proceeds may be used to perform more substantial improvements to commercial structures and premises including, but not limited to: replace/remove false facades, modify/reinforce parapets, improve ingress/egress, establish plaza-to-plaza linkages, improve pedestrian circulation and perform other work yielding aesthetic and functional improvements. Up to twenty five percent (25%) of the project budget may be allocated to interior improvements that address code deficiencies; improve accessibility; or improve energy efficiency (including the conversion or upgrade of utilities, lighting and HVAC systems).

(3) Public Area Improvement Program Loans: Loan proceeds may be used to Improve commercial premises and public right-of-ways including, but not limited to: street tree planting, enhanced paving, decorative lighting, sidewalk/driveway installation and repair, and installation of transit-facilitating amenities such as bus shelters. The Public Area Improvement Loan must be

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

executed in connection with a Commercial Property Improvement Program or Awning, Sign and Paint Program loan. Landscape construction will be scheduled to coincide with or immediately follow construction of structure improvements.

(4) All work done must be in accordance with the City of Santee Zoning Ordinance and all required permits must be obtained. Work must include the correction of any known exterior building code violations.

E. Ineligible Activities/Properties

Program loans shall not be available for the following:

- (1) Expansion and other new construction.
- (2) Property acquisition.
- (3) Working capital, advertising, training, start-up costs, cash for operating expenses, etc.
- (4) Work in progress or performed prior to project approval.
- (5) Signage costs in excess of:
 - (a) 50 percent of the total project budget of an Awning, Sign and Paint Program project
 - (b) 15 percent of the budget of a Commercial Property Improvement Program project.
- (6) Tax-delinquent properties or businesses
- (7) Special-assessment-delinquent properties.
- (8) Property subject to litigation.
- (9) Property in condemnation or receivership.
- (10) Property owned by religious groups.
- (11) Exclusively residential buildings.
- (12) Property considered non-conforming with respect to the City's Zoning Ordinance.

Section III: APPLICATION PROCEDURES

A. Application Materials

Application materials will be maintained and available in hard copy at 10601 Magnolia Avenue or on the City's website at www.ci.santee.ca.us.

B. Pre-application Conference

Prior to submitting an application, the applicant shall meet with CDC staff to discuss the program features and terms.

C. Application Submittal

Prospective program participants must submit a complete application on a form provided by the CDC (Exhibit A). Applications may be submitted at any time during the effectiveness of the program. Applications will be reviewed for completeness and to verify that the proposed project meets the minimum requirements for eligibility. If the application is not complete, the applicant will be informed of the deficiencies. All financial information will be kept in a secured place with limited access by authorized personnel only.

The application must include the following information.

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

- (1) Business Information. A written description of the business, including the following:
 - (a) Property owner information
 - (b) A brief history of the existing or proposed business.
 - (c) Two years of financial history including income tax returns, profit & loss statements, balance statements and cash flow statements.
- (2) Project Description. A description of each of the project components.
- (3) Project Budget. A preliminary budget is required at the time of the initial application. A final budget based on the bid submitted by the selected contractor is required prior to formal loan approval.
- (4) Financial Capacity. Evidence of applicant's ability to make progress payments as required by the project budget and construction contract. The source of private funding readily available to the applicant to cover any costs in excess of the approved project budget shall be specified.
- (5) Site Control. Evidence of property ownership or leasehold interest of 5 years or greater.
- (6) Existing Conditions. Photographs illustrating current condition of building(s) and property. Photos of adjoining properties shall be included.
- (7) Draft Contract with Project Architect. Applicants should confirm acceptance by their preferred architect of a standard form of contract developed by the American Institute of Architects (Form B104-2007, B141-1997, or similar). **The contract for architectural services should not be executed prior to preliminary loan approval by the Executive Director**. For funding under the Commercial Property Rehabilitation Program, negotiated architectural fees should not exceed 25% of total direct project costs for Awning, Sign and Paint Program loans or 12% of total direct project costs for Commercial Property Improvement Program loans.
- (8) Additional Information. Additional information as may be requested.

Note: False or misleading information shall be considered a default of the loan agreement, and may cause the Town to seek remedies as stated in the Loan Agreement.

Section IV: PROJECT APPROVAL PROCEDURES

A. Phased Approval

Projects will be evaluated and approved in two phases. Preliminary approval will authorize disbursement of architectural assistance funding. Construction funding may be approved only upon the CDC's approval of the construction contract (reflecting the content of an approved building permit) and final budget.

B. Loan Committee Review and Approval

Applications will be evaluated by a Loan Committee made up of representatives of the Planning, Economic Development and Redevelopment divisions. Authority to approve the recommendation of the Loan Committee is delegated by the CDC Board to the Executive Director.

The Committee shall meet monthly as needed to review and act on loan applications. If the Committee deems that additional information is required before acting on an application, it may postpone action until all necessary information is available to the committee.

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Based on the recommendation of the committee, the Executive Director is authorized to increase the maximum grant and loan amounts as follows: \$5,000 for the Architectural Assistance Grant, \$5,000 for the Awning, Sign and Paint Program Loan, and \$20,000 for the Commercial Property Improvement Program loan.

The applicant will be notified in writing of all Committee and Executive Director determinations.

C. Evaluation Criteria

The following criteria will be used to evaluate, rank and select project applications for design grants and program loans. Priority will be given to those projects that meet the greatest number of the following project evaluation criteria. Applications will be accepted on a “first come, first served” basis. The CDC may specify “target areas” for funding or allocate funds among the loan programs according to program needs.

(1) Strategic Location. Is the project located where it is highly visible and where it will be a sign of positive change within a particular business district? Examples of high profile locations are major intersections or where the building or storefront has high visibility along the block.

(2) Contribution or Other Positive Actions in the Immediate Area. Are there other signs of positive change in the immediate area of the building or storefront that will be reinforced by the project? Examples of this criterion are projects that reinforce other, independent actions to create positive change including those blocks or portions of blocks adjacent to a recent new building or remodeled building or to a new business, any one of which may attract the attention and interest of people in the area.

(3) Critical Mass. Is the project of a scale or is it part of an overall set of projects that are extensive enough to make a significant statement of positive change within the business district? Examples include a row of storefronts within a large building, or a group of buildings whose owner or owners and tenants propose improvements that are part of an overall, comprehensive design.

(4) Site Utilization. Does the existing building or property represent a reasonable utilization of the development potential of the site? Do the existing structures constitute a community resource? If not, could rehabilitation of existing structures delay more substantial redevelopment of the site? The intent of this criterion is to allocate commercial rehabilitation resources with consideration for the “highest and best use” of the property. Priority will be assigned to the rehabilitation of those existing structures with enduring economic or cultural value.

(5) Entrepreneurial Business Activity. Is the business innovative and creative and does it have either the potential to attract new business energy or set a new direction for the particular business district?

(6) Historic Properties. For properties over fifty (50) years old, City staff will determine whether proposed improvements comply with historic preservation objectives.

CDC staff will verify income and credit history and will use the evaluation criteria above to assess the competitiveness of an application. All fees connected with the title search, credit check and ordering a preliminary title report will be paid for by the CDC.

D. Right of Appeal

An applicant whose request for funds has not been approved may appeal in writing for reconsideration to the Community Development Commission no later than two weeks after written notification.

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Section V: LOAN TERMS

A. Type of Loan

The Commercial Property Rehabilitation Program provides forgivable loans subject to continuing compliance with loan terms and Maintenance Agreements. Architectural Assistance is provided in the form of a grant.

B. Interest Rate

The interest rate for all loans will be 3% simple interest. Interest will begin to accrue one month following project completion.

C. Payment Schedule

Loan payments (including principal and interest) are deferred during the term of the loan. In the event of default, a repayment schedule will be prepared (see Section VII).

D. Recipients of Funds

No work for which reimbursement will be sought may be completed by the owner or relatives of the owner.

E. Multiple Bids Required

The applicant will obtain bids from at least two architects and two contractors for the project. Outreach to minority and women-owned businesses are encouraged. Copies of bids obtained will be provided to the CDC.

E. Payment of Prevailing Wages

Work funded through the Commercial Property Rehabilitation Program is considered a "Public Work" and subject to the payment of prevailing wages (California Labor Code Sections 1720 et seq and 1770 et seq, as well as California Code of Regulations, Title 8, Section 16000 et seq). The recipient must ensure that all bids solicited and all contracts for work funded through a loan made by the CDC comply fully with Prevailing Wage Laws.

F. Indemnity

The recipient shall commit to defend, indemnify and hold the City and CDC, including its elected officials, officers, employees and agents, free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure of the loan recipient or its contractors or consultants to comply with Prevailing Wage and other applicable laws.

G. Security

Awning, Sign and Paint Program loans will be personally secured and may include liens on the recipients' personal and real property, personal guarantees, UCC's, and/or partial lease assignment. Commercial Property Improvement Program loans shall be secured a recorded deed of trust on real property and UCC-1. The CDC reserves the right to require additional or alternative forms of security as deemed appropriate.

H. Due on Sale, Transfer, Default or Refinancing

If the property is sold, transferred, or refinanced prior to the conclusion of the loan term, or if a condition of default is not cured within 30 days of a Notice of Default, the pro-rated balance of the

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

loan, with interest accrued since the beginning of the current fiscal year, will be due in full. The Executive Director is authorized to grant exceptions from this provision on a case-by-case basis.

I. Maintenance Agreement

A Maintenance Agreement shall be executed providing for ongoing maintenance of the property and program improvements, including, but not limited to, keeping the property free from litter, graffiti, peeling paint, unkempt landscape, and other unsightly features as determined by the CDC and City of Santee. Business owners are required to ensure that the business is legal and compliant with the requirements of the zone applicable to the property. Tenants should be aware that property owners will be required to acknowledge the terms of the Maintenance Agreement.

J. Business Association Participation

Business owners receiving funding through the Commercial Property Rehabilitation Program are required to participate in a local business association or other related organization as it pertains to business development in their area.

K. Construction Schedule

Recipients shall initiate construction within 30 days following loan closing and complete construction within 90 days following loan closing. The Executive Director is authorized to extend these time limits by up to 30 days. Failure to comply with the project schedule will constitute a condition of default.

L. Other Obligations of the Recipient

In addition to the preceding terms and conditions of the loan, all recipients shall acknowledge and comply with the following:

- (1) Loan proceeds shall be used only to pay for the cost of approved improvements and according to the approved budget.
- (2) All improvements must be in accordance with the City of Santee Zoning Ordinance and all required permits must be obtained.
- (3) Work must include the correction of any known exterior building code violations.
- (4) The recipient shall be responsible for payment of all costs in excess of the approved budget.
- (5) Recipient shall attend meetings with staff and decisionmakers as requested during the course of application review and approval.
- (6) All work to be done on the project shall be the sole responsibility of the property owner. The City of Santee and CDC administers the loan program and are not responsible for any work undertaken under the Program.
- (7) The recipient must obtain lien releases from the contractor upon progress payment and project completion. Copies shall be provided to the CDC with each request for reimbursement.
- (8) The recipient must sign an Owner Satisfaction Form when the project has been completed to their approval. A copy of the executed form shall be provided to the CDC.
- (9) Upon completion of the project, the recipient must submit a letter to the CDC explaining how the project goals as stated in the loan application have been met.
- (10) Photographs of the completed project shall be provided to CDC upon completion for the project file.

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Section VI: CLOSING OF THE LOAN

A. Closing Schedule and Conditions

If the loan application is approved by the Executive Director, a date for closing will be set by the CDC. Prior to releasing funds, the following documentation must be in the project file:

- (1) Notice of Award issued by the CDC.
- (2) Executed Loan Agreement.
- (3) Executed Maintenance Agreement.
- (4) Executed Security Instruments (e.g. Promissory Note, Deed of Trust, UCC-1, etc. as deemed applicable by the City Attorney).
- (5) Casualty Insurance binder.
- (6) Proof of term life insurance (as deemed applicable by the City Attorney).
- (7) Evidence of Permits, Licenses, and any other required registrations.
- (8) Design drawings and material specifications.
- (9) Approved project budget.
- (10) Approved form of construction contract (unexecuted).

Section VII: POST-CLOSING PROCEDURES

A. Loan Servicing

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance for builder's risk, property-casualty, and life, as applicable. The recipient will regularly deliver to the CDC those materials deemed necessary to monitor compliance with the loan terms and conditions, and advise the CDC promptly of any changes in terms and coverages.

Loan servicing files will be maintained in a secure place with access limited to authorized personnel. The City's legal counsel shall be consulted in regard to compliance with state and municipal open records laws.

B. Disbursement of Loan Proceeds

The recipient is responsible for reviewing and approving contractor requests for payment. The recipient is further responsible to make timely payments for approved work. The CDC will reimburse recipient according to the terms of the loan.

When submitting a request for disbursement of loan proceeds, recipient shall provide evidence of program expenditures consistent with the approved project budget. Documentation shall include bills and invoices or receipts for materials, final bills of sale, canceled checks and lien waivers. All documentation shall be reviewed and approved by CDC staff prior to disbursement of loan proceeds.

Requests for reimbursement shall be submitted by the tenth day of the month. Requests received after the tenth day of the month shall be processed for payment during the following month. The request for reimbursement shall (1) identify each item of reimbursable project cost by line item category in the Project Budget separately, (2) aggregate all costs by line item category as set forth

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

in the Project Budget, (3) include a report setting forth the total amount, by line item category from the Project Budget, of all reimbursable project costs set forth in the then-current request for reimbursement and all prior requests for reimbursement approved by the CDC or for which approval is pending, and (4) include a report setting forth the percentage of work, by line item category from the Project Budget, completed as of the date of the current request for reimbursement.

C. Performance Monitoring

Each year following project completion, CDC will conduct a site inspection to confirm compliance with the terms of the loan and maintenance agreements.

D. Partial Loan Forgiveness

Commercial Property Improvement Program Loans are forgiven (including accrued interest) at a rate of ten percent per year over the ten year term of the loan. Awning, Sign and Paint Program loans are partially forgiven at a rate of twenty percent per year over the five year term of the loan. PAI loans are forgiven according to the schedule for the Commercial Property Improvement Program or Awning, Sign and Paint Program loan with which the PAI loan is associated.

E. Default

In the event recipient is determined to be in default on any of the terms and conditions of the loan or Maintenance Agreement, all sums due and owing, including penalties, shall become immediately due and payable. The CDC will issue a written Notice of Default to recipient specify the following:

- (a) The specific nature of default.
- (b) The action required to cure the default.
- (c) A date, not less than thirty (30) days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.
- (d) Any penalties incurred as a result of the default.

Upon default, a repayment schedule will be prepared. Monthly loan payments will be calculated to amortize the unforgiven remainder of the original loan amount, plus interest accrued interest during the current fiscal year, within the remainder of the loan term. The Agency Executive Director is authorized to assess penalties and fees to the loan and to negotiate a repayment schedule.

F. Use of Loan Repayments

Repaid loan funds shall be deposited into the Commercial Property Rehabilitation Program Fund account and used in a manner consistent with the policies and procedures identified in the program manual.

G. Annual Program Audit

A separate accounting record for each loan shall be kept to account for all funds loaned. The Commercial Property Rehabilitation Program Fund account shall be audited on an annual basis and an annual report presented to the Commission by July 30, regarding the use of program funds.

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

**Commercial Property Rehabilitation Loan
Preliminary Application**

| | | | |
|--|---|---|-----------------------------------|
| Name of Borrower | Business Name | | |
| Borrower's Mailing Address | | | |
| Borrower's Social Security or Federal Tax ID # | <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Proprietorship | <input type="checkbox"/> LLC <input type="checkbox"/> Sole | US Citizen? (If no, Alien Reg. #) |
| Borrower's Business Phone | Borrower's Home or Mobile Phone | | Borrower's Email |
| Identify Major Product or Service | Date Business Established | | Property Owner or Tenant? |
| Business License Number | Driver's License Number | | Date of Birth |

| | | | |
|---------------------|-------------------------|-------------------------|----------------------------------|
| Project Address | | | Loan Amount Requested |
| Project Description | | | |
| APN # | Land Area (square feet) | Building Square Footage | Street Frontage (in linear feet) |

| | | |
|------------------------------|--------------------------------|----------------------|
| Contact Name (if applicable) | Contact Title | Home or Mobile Phone |
| Contact's Mailing Address | | |
| Contact's Business Phone | Contact's Home or Mobile Phone | Contact's Email |

| | | |
|------------------------|---|--|
| Bank #1 Name & Branch | Bank Contact | Business Phone |
| Branch Mailing Address | | |
| Account Number | <input type="checkbox"/> Checking <input type="checkbox"/> Savings | <input type="checkbox"/> IRA <input type="checkbox"/> Stocks Account Balance |
| Account Number | <input type="checkbox"/> Checking <input type="checkbox"/> Savings | <input type="checkbox"/> IRA <input type="checkbox"/> Stocks Account Balance |

| | | |
|------------------------|---|--|
| Bank #2 Name & Branch | Bank Contact | Business Phone |
| Branch Mailing Address | | |
| Account Number | <input type="checkbox"/> Checking <input type="checkbox"/> Savings | <input type="checkbox"/> IRA <input type="checkbox"/> Stocks Account Balance |
| Account Number | <input type="checkbox"/> Checking <input type="checkbox"/> Savings | <input type="checkbox"/> IRA <input type="checkbox"/> Stocks Account Balance |

| | |
|---|------|
| Have you filed for Bankruptcy or compromised a debt in the last 5 years? <input type="checkbox"/> Yes Are you currently involved in a lawsuit or do you have a pending judgment that may impact your ability to repay this loan? <input type="checkbox"/> Yes If you answered yes to either of these questions, please explain: | |
| Signature | Date |

Exhibit A

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

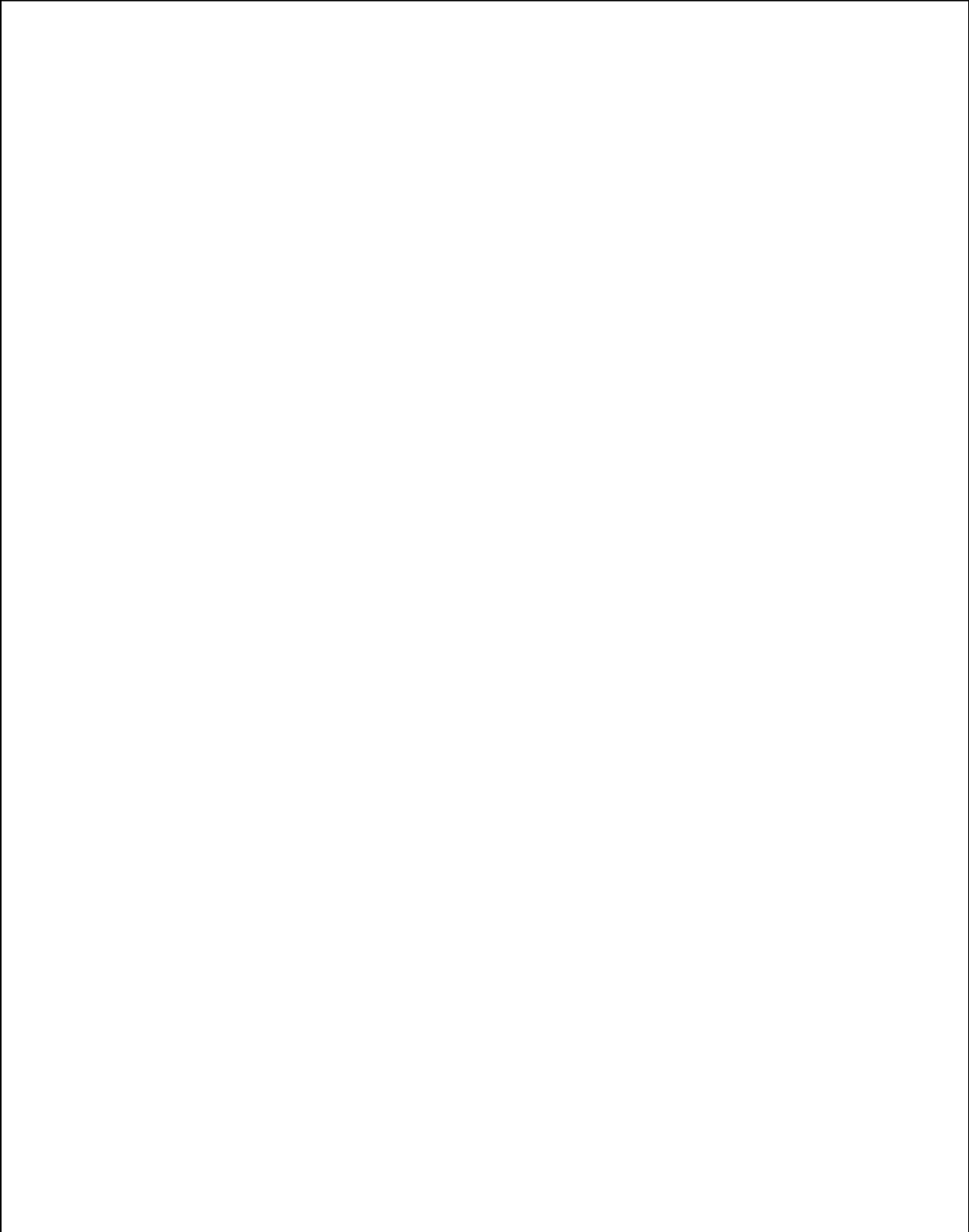
City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Exhibit B

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Architect Selection

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures



City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Exhibit C

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

**Commercial Property Rehabilitation Loan
Application Checklist**

| | |
|---|----------------------|
| Name of Borrower | Date Received |
| Loan Amount Requested | Date Deemed Complete |
| Project Address | |
| Type of Loan Requested <input type="checkbox"/> Awning, Sign & Paint <input type="checkbox"/> Commercial Property Improvement <input type="checkbox"/> Public Area Improvement (must accompany one of above) | |
| Required Materials (4 sets of each) <u>Preliminary Application</u> <input type="checkbox"/> Brief history of existing or proposed business <input type="checkbox"/> Brief description of each of the proposed project improvements <input type="checkbox"/> Preliminary project budget <input type="checkbox"/> Evidence of property ownership or leasehold interest with remaining term exceeding five years <input type="checkbox"/> Photographs of existing conditions (including adjoining property) <input type="checkbox"/> *Fee proposals submitted by two architects <input type="checkbox"/> Draft agreement between applicant and architect <u>Final Application</u> <input type="checkbox"/> Detailed description of proposed project improvements <input type="checkbox"/> Schedule that indicates the time that is required for the work to be completed <input type="checkbox"/> Detailed budget with a breakdown of the cost of improvements (based on contractor proposal) including prevailing wages <input type="checkbox"/> Copy of approved permit materials <input type="checkbox"/> Sketches of building exterior and signage (if not among permit documents) <input type="checkbox"/> Evidence of ability to make progress payments and fund any required applicant match requirement <input type="checkbox"/> Evidence of ability to fund any costs in excess of the approved project budget <input type="checkbox"/> *Bids submitted by two general contractors <input type="checkbox"/> *Two years of income tax records, profit & loss statements, balance statements and cash flow statements <input type="checkbox"/> *(If improvement to multi-tenant center is proposed) Evidence of support for the project from two-thirds of current property tenants. <input type="checkbox"/> * <u>Draft</u> agreement between applicant and general contractor <input type="checkbox"/> *Proof of contractor's current liability and worker's compensation insurance <input type="checkbox"/> *Photocopy of contractor's pocket license <input type="checkbox"/> *Verification that contractor is in good standing with the California State Contractor's License Board (www.cslb.ca.gov) | |

2007
* Two copies only.

Page 16

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Exhibit D

Contractor Selection

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

The applicant's selection of an architect must be based on the following factors:

- Proven experience in commercial structure rehabilitation.
- Ability to obtain bonding as determined necessary by the CDC.
- Confirmed status of the contractors license and insurance.

The General Contractor will enter into a contract with the loan recipient in substantially the same form as the Standard Form of Agreement Between Owner and Contractor for a Project of Limited Scope (Form A107-2007), developed by the American Institute of Architects. The owner/contractor agreement shall contain all applicable state and local requirements including affirmative action and prevailing wage provisions. The agreement shall provide for retainage of 15% to be withheld until the CDC has approved the work and received copies of close-out documents including, as applicable, final inspection, certificate of occupancy, completed punch list and lien releases. Prior to its execution, the draft agreement shall be submitted for approval by the Community Development Commission (CDC).

The CDC shall act solely in a monitoring and technical assistance capacity. Any work performed by the Contractor that is outside the contracted scope of work (as per owner/contractor agreement) will not qualify for reimbursement. The CDC reserves the right to withhold reimbursement payments if the work is not performed in accordance with accepted standards for workmanship or materials.

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Exhibit E

**Commercial Property Rehabilitation Loan
Loan Servicing and Monitoring Checklist**

| | |
|------------------|----------------------|
| Name of Borrower | Loan Tracking Number |
| Project Location | Loan Approval Date |

I. Maintain Loan Servicing File, including

- ☐ Complete set of application materials
- ☐ All written correspondence
- ☐ Log of significant verbal communications
- ☐ List of applicable loan covenants
- ☐ Certificates of insurance including builder's risk, property, casualty and life, as applicable
- ☐ Record of loan disbursements with expense documentation
- ☐ Maintain security of file

II. Receipt/review of Request for Reimbursement *

- ☐ Invoices
- ☐ Copies of cancelled checks (front and back sides)
- ☐ Request for Payment signed by loan recipient
- ☐ Lien waivers

III. Payment of Reimbursable Expenses

- ☐ Compute reimbursable portion of approved expenses
- ☐ Forward approved request for reimbursement (with documentation) to Finance Department with instruction on amount to be paid

IV. Annual Compliance Review

- ☐ Schedule site visit of project during the month of June
- ☐ Ensure business is occupied and open
- ☐ Confirm the maintenance of improvements pursuant to the agreement
- ☐ Obtain dated photos of improvements
- ☐ Confirm that ownership of property has not been conveyed
- ☐ Confirm continuing participation in local business association
- ☐ Confirm that taxes and assessments are current
- ☐ Advise Loan Committee of any problems
- ☐ Issue letter to owner indicating compliance status

* Section VII. B. of the Policies and Procedures for the Commercial Property Rehabilitation Program requires that each cost be associated with a specific line item in the project budget and that a report be submitted summarized past and current costs by line item.

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

Exhibit F

City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures

**Commercial Property Rehabilitation Loan
Loan Servicing and Monitoring Checklist**

| | |
|------------------|----------------------|
| Name of Borrower | Loan Tracking Number |
| Project Location | Loan Approval Date |

I. Maintain Loan Servicing File, including

- ☐ Complete set of application materials
- ☐ All written correspondence
- ☐ Log of significant verbal communications
- ☐ List of applicable loan covenants
- ☐ Certificates of insurance including builder's risk, property, casualty and life, as applicable
- ☐ Record of loan disbursements with expense documentation
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City of Santee
Commercial Property Rehabilitation Program
Policies and Procedures
